CRITICAL REVIEW

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THE WELFARE STATE

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Nathan Glazer

IS WELFARE A LEGITIMATE GOVERNMENT GOAL?

Charles Murray has followed up his book, Losing Ground: American Social Policy 1950–1980, *which played a major role in the attack on the effectiveness of recent social policy, with a more ambitious book,* In Pursuit of Happiness and Good Government, *which extends and generalizes the analysis of the first. His starting point is to ask what we are ultimately aiming at in social policy. Our evaluations of the effectiveness of social policies generally consider proximate and intermediate aims rather than ultimate ends: for example, we ask if a welfare program provides enough food and shelter. Yet our actual end is the promotion of the happiness of the recipients, which requires, Murray argues, not the most extensive provision of aid but rather policies that enable people, acting together in voluntary communities, to create the institutions which best satisfy their needs. Murray sees little role for government in social policy, even in areas (such as education) in which this role is widely accepted. He may be somewhat utopian in his belief that the desire and capacity for community is so widespread as to make it possible to enlist the energies of people in voluntary associations to replace government action in a host of areas in which it now operates.*

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Charles Murray's *Losing Ground: American Social Policy, 1950–1980*[1] was a remarkably influential and accessible book about American social policy. It raised the question of why increasing government expenditures through the decades of the 1960s and 1970s had not apparently reduced the problems to which they were addressed, but by some measures had been accompanied by a worsening of those problems. In particular, families broke up at an increasing rate, more children were born out of wedlock, crime increased, and educational achievement was static at best, all at a time when, compared to the 1950s, there was an explosion of expenditures and programs.

Murray argued that incentives and disincentives to such behavior as preparation for and seeking work, marrying, and supporting one's children, had been changed by policies whose intention was to make life better and easier for the poor, to provide income to women who had given birth to children whose fathers would not or could not support them, to ensure food, shelter and other necessities to families without sufficient resources earned in the labor market. Through ingenious "thought experiments"—such as contrasting the alternatives available to a young unmarried couple with limited education and employment possibilities in the 1950s against the alternatives available in the 1970s—he argued that compassionate social policies were themselves responsible for increasing family breakup, illegitimacy, withdrawal from the labor force, and resort to crime.

In the social policy fraternity the book aroused, for the most part, outrage, and indeed the counterattack on Murray's thesis was able to score some effective points. The chief battleground was around "welfare" programs, which provide for persons for whom paid social insurance (social security, unemployment insurance, medical insurance) is not available, because they have never worked, or worked enough, or in the kinds of jobs to which this kind of social insurance is attached. Welfare programs are not, as social programs go, large: They are dwarfed in monetary terms by Social Security, unemployment insurance, public (Medicare, Medicaid) and private medical insurance; but they seem to be at the heart of our inability to build a good society. It is these programs that are supposed to take care of women without husbands and jobs, of children with one parent or (increasingly now) with no parent, of the homeless who are increasingly evident in the big cities of the United States.

There were popular and more sophisticated explanations of our failure to reduce the numbers needing welfare, and they could be neatly arrayed along both a liberal-conservative dimension, and a popular-sophisticated dimension. The more popular liberal explanation was that the government didn't provide enough money: no matter that it provided many times

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more than it had provided in the 1950s, many times more than was projected as necessary by liberal analysts in the 1950s and 1960s, it still wasn't enough. The argument was that the number of unfortunates was greater than we believed, and their needs were greater than we had understood. The more sophisticated liberal explanations might not eschew the need for more government expenditure but pointed to changes in labor markets, in which, after all, despite government, most of us earn our daily bread. Thus there had been changes in the kinds of jobs available (fewer manufacturing jobs, more service and professional jobs), the kinds of skills they required, their location (from central city and the Northeast to suburbs and exurbs, the South and West), and so on.

On the conservative side, the simple explanation was that it was the fault of the poor, who engaged in self-destructive and self-defeating behavior when they might pull up their socks, get to work, and maintain themselves; the more sophisticated view (not that the line could be drawn very sharply) was that the programs themselves, and the dynamics of their interplay with understandable human motives, increased the problems they were meant to mitigate.

This was not a new insight (nothing much in the social sphere is or can be), and had been laid out most persuasively by Tocqueville in his remarkable "Memoir on Pauperism" of 1835, which was made available to a general audience for the first time in 1968 in Seymour Drescher's *Tocqueville and Beaumont on Social Reform*. "When one crosses the various countries of Europe," Tocqueville observed,

> one is struck by a very extraordinary and apparently inexplicable sight. The countries appearing to be the most impoverished are those which in reality account for the fewest indigents, and among the peoples most admired for their opulence, one part of the population is obliged to rely on the gifts of the other in order to live.[2]

Tocqueville was describing a contrast one could have noted a hundred and twenty years later between poor Southern and prosperous Northern states: the numbers on welfare (our modern equivalent of "indigents," but he was speaking of the same category, those supported by public charity) were greater in the more prosperous parts of the country. His argument is more subtle than can be suggested in brief summary, but at its heart was the assertion that "any measure which establishes legal charity on a permanent basis and gives it an administrative form thereby creates an idle and lazy class, living at the expense of the industrial and working class."[3] This view, developed by classical economists, among many others, was given its most persuasive contemporary form by *Losing Ground*.[4]

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Of course there are problems with such broad generalizations. Would we find that they work in Sweden as well as they do in England or the United States? Public generosity seems to have different effects in different countries; further, within a single country, we may find no simple relationship between, for example, generous states and the numbers on welfare, or the rate of out-of-wedlock births. It was along these lines that *Losing Ground* was attacked. The sheer volume of criticism directed against the book by researchers on poverty and welfare guaranteed that every possible weakness would be exposed. The suspicion nevertheless persists, if one considers the broad trend of the postwar years, that Murray was right concerning the United States, even if not right in every respect.

What End Public Policy?

The argument of Murray's new book, *In Pursuit: Of Happiness and Good Government* (New York: Simon & Schuster, 1988), is less accessible than that of *Losing Ground*, and the book requires close reading. It is an extension of the earlier book's argument, but takes us into territory that is generally unfamiliar to analysts of social policy. Social policy analysts have become a rather narrow breed, setting up computer models of what a proposed program might do, collecting data on what an existing program does. Murray asks what it is, when we look into what programs "might do" and do "do," that are we after. What should we be looking for? Quite typically, in an income maintenance or redistribution proposal, we ask, does it reduce the number of people in poverty? Going further, we might ask, does it increase or reduce family separation, does it increase or reduce work effort? In an educational program, we might ask, does it reduce the number of dropouts, or increase test scores? This all seems pretty straightforward, leaving aside the difficulties in getting the data, or of establishing proper measures for even these limited objectives, or of setting up the computer simulation.

Murray, however, marrying what social policy analysts do to both social philosophy and social psychology, asks: What are we *really* after? We are, after all, trying to improve life for people, but what does that mean? Moreover, is it really the case that the improvements we intuitively feel we are after are captured by the ostensible objectives of social programs and by the methods we use to evaluate them? Or have we actually been diverted from the general objective of "a better life" by the measures that we somewhat thoughtlessly have used to replace that vague goal? Murray writes:

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> Fighting poverty is good, yes. But if the poverty rate goes down while the proportion of children born to single women goes up, how are these two vectors to be combined so that we know whether, in the aggregate, we are headed up or down, forward or backward?. . .
>
> Underlying these questions are others that ask not just how we are to add up conflicting indicators, but rather the more far-reaching question, What's the point? What is the point of food stamps, anyway? What are they for? Suppose that we passed out food stamps so freely that no young man ever had to worry about whether a child that he caused to be conceived would be fed? *Would that really be a better world for children to be born into?* (23)

Murray finds the point in "the pursuit of happiness." He rejects the notion that happiness is so idiosyncratic and individual that there is no general agreement on what it is. Others disagree. For example, Barrington Moore, Jr., in his *Reflections on the Causes of Human Misery and upon Certain Proposals to Eliminate Them*,[5] argues there is no generally acceptable definition of happiness and points, furthermore, to "the happiness to be had by making other people miserable." Murray will have none of this: "The distinctions between sadism and other forms of human pleasure are [not] arbitrary inventions. . . . In practice, the level of agreement about what constitutes happiness is remarkably broad . . . ."(31). He begins with the *Nicomachean Ethics*, despite the fact that Aristotle "has been viewed by modern critics as a defender of bourgeois values." (Thus, Bertrand Russell: "The book appeals to the respectable middle-aged, and has been used by them . . . to repress the ardours and enthusiasms of the young. But to a man with any depth of feeling it cannot but be repulsive . . ."(36). He works his way through Locke and the Founding Fathers, and Bentham and Mill, arguing that despite apparent and real differences in their approaches to understanding happiness, in practice they come to similar conclusions. He analyzes various contemporary empirical examinations of happiness (responses in public opinion surveys to such questions as, "How do you feel about your life as a whole?") and comes to a conception of happiness as "lasting and justified satisfaction with one's life as a whole." Every one of these words is important (44). Drug addicts are not to be considered happy, no matter what they say. In defense of this view, Murray borrows Robert Nozick's "experience machine." In this thought experiment, you are hooked up to a machine so that whatever experience you wish is available, and there is absolutely no discernible difference between the experience the machine provides and the "real experience." People, Murray claims, will not accept that over "real" life, even if real life means a substantial quota of pain (45–7).

Murray then goes on to discuss what government can do to assist people in "the pursuit of happiness" so understood. This means asking

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what the enabling conditions for happiness are. Why "enabling conditions"—why not aim at happiness directly? Because government can't do that. For happiness involves not only the notion of "justified" satisfaction, but the notion of individual effort to achieve it. Murray quotes the Aristotelian principle, as restated by John Rawls: "Human beings enjoy the exercise of their realized capacities (their innate or trained abilities), and this enjoyment increases the more the capacity is realized, or the greater its complexity"(48). Murray gives the example of the park ranger, "responsible for maintaining a hiking trail through a wilderness area. His work is curiously contradictory." The trails must be maintained well enough to be negotiable by amateurs, but not so well that the experience of putting out effort in hiking disappears. "The park ranger's job is to prepare wilderness so that it *enables* people to enjoy visiting a wilderness area—and there is no way in the world he can do an iota more than that"(59).

Making use then of Abraham Maslow's hierarchy of human needs, Murray considers three "enabling conditions" for the pursuit of happiness: material resources, safety, and self-esteem.

Goods and Happiness

What is sufficient in the way of "material resources" if one is to pursue happiness? Murray's answer is: not much more than subsistence. He tries to make his case by drawing on studies of empirical relationships between income and expressed happiness, from country to country and within countries. After a certain threshold, it seems expressed happiness does not increase much with more income. The richest countries are not much happier than those of middling income, and the higher-income groups do not increase their expressed happiness with increases in income. The curve of expressed happiness goes up rapidly as one rises above poverty or subsistence, but then levels off. He pursues his case as well through thought experiments. In perhaps the most ingenious one, we are asked to make a choice for our child, on the assumption that the child has become an orphan, and for whom we have the following alternatives:

> You may put your child with an extremely poor couple according to the official definition of "poor"—which is to say, poverty that is measured exclusively in money. . . . But you also know that the parents work hard, will make sure your child goes to school and studies, and will teach your child that integrity and responsibility are primary values. Or you may put your child with parents who will be as affectionate to your child as the first couple but who have never worked, are indifferent to your child's education,

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> who think that integrity and responsibility . . . are meaningless words—but who have and will always have plenty of food and good clothes and amenities. . . .(81)

One can vary the thought experiment in a number of ways, but Murray wants to force us to conclude not only that money isn't everything, but that poverty—taking poverty *alone*, without the things we tend to associate with it (drugs? crime? illegitimacy?)—isn't so awful a fate, and that one reason we think it is is that so few of those who study it in the United States have experienced it personally. I think he makes a good case.

Happiness, then, is very clearly not a simple matter of the level of one's material resources. A number of observers—Christopher Jencks, Louis Winnick—have pointed to the paradox that destitute inner-city areas in actuality have large public resources spent in and on them. I have been told that Mayor Koch, after dividing the welfare and child-care budgets by the number of families in poverty, would ask in exasperation: "We are spending $25,000 a year on each of these families, how come they are still poor and miserable?" Admittedly much of the public money doesn't go into the pockets of the poor, but into the pockets of teachers, nurses, doctors, social workers, etc., etc., but enough does reach the intended beneficiaries to make most estimates of the income of the very poor in our large cities rather suspect (as does the fact that according to all accounts, a flourishing drug traffic, capable of making billionaires of South American drug kings and of supplying a good living to many others, flourishes most actively in poor inner-city areas). It would seem, then, that you don't need much to pursue happiness—something above subsistence will do—if other conditions are satisfied.

One of these conditions, and the second in Murray's brief list, is safety. John DiIulio, writing in *The Public Interest*,[6] has made the provocative point that it is not only the conditions we associate with the underclass that lead to crime, but also, and perhaps more significantly, crime that leads to the conditions we associate with the underclass. Thus, a high level of crime can make it futile to acquire material possessions—they will be stolen or burglarized. Crime also leads to high costs for protection; to a fear of opening stores and other businesses, or to such great drains on their resources as to make it difficult for them to make profits and contribute to prosperity; to a fear of walking on certain streets, and therefore to avoiding jobs that require walking on them; to the avoidance of public transportation, because of its dangers, and thus to the waste of resources on other means of getting to and from work; and so on. Crime may not be the inevitable consequence of an impoverished neighborhood; it may be its cause.

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Here Murray can make only two points, which may not be fully adequate to the situation we face in the poor areas (and not only the poor areas) of our large cities: First, happiness requires that the citizen must feel that some uniform level of lawfulness prevails. As Murray puts it, "In a lawful community, someone who does something that is both illegal and harmful is sought by the police. If he is caught, he is prosecuted. If he is convicted, he suffers a penalty"(109). As anyone who has suffered a burglary, robbery, or assault knows, these conditions are all too rarely met. His second proposal, following a key argument by James Q. Wilson and George Kelling, is that it must be possible for a community to "enforce community standards of public civility." "Partly, this power directly affects quality of life—when a person cannot walk to the neighborhood bus stop through a neighborhood park without being verbally assaulted by the gang of teenagers that uses the park as a hangout, that person's daily life is changed for the worse." But just as important is the indirect necessity to "preserve a fabric of public order, that, once it frays in small ways, begins to rip in large ones"(110).

Perhaps the most original of Murray's three enabling conditions is self-respect. Self-esteem has previously been considered in public policy debate, for example in the argument that the provision of welfare should not be implemented in such a way as to reduce the self-esteem of recipients. But Murray is making a very different argument, one which subverts the whole notion that we can, through the mechanics of public distribution of benefits, enhance self-respect. "The problem with a value-neutral definition of self-esteem is that people can have high self-esteem when they shouldn't"(116). Quoting the philosopher David Sachs, Murray points out that one can have "too much" self-esteem, but one can't have too much self-respect (118). Michael Walzer is quoted as arguing, "In order to enjoy self-esteem, we probably have to convince ourselves . . . that we deserve it. . . . But we are judges in our own case; we pack the jury . . . and fake the verdict." In the case of self-respect, "conscience is the court, and conscience is a shared knowledge, an internalized acceptance of communal standards" (quoted at 118). One must feel that self-respect has been earned. And it can only be earned by fulfilling a commonly accepted standard. "The threshold condition for self-respect is accepting responsibility for one's own life, for which the inescapable behavioral manifestation is earning one's way in the world"(122). Going beyond self-respect, Murray develops the argument that one key condition for the pursuit of happiness is "self-actualization," achieving the fullest exercise of one's powers, and here he draws upon both philosophers and social psychologists—both John Rawls and Mihaly Csikszentmihalyi.

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Thus Murray lifts the discussion of social policy above the issues that preoccupy social policy analysts: how much, raised in what way, redistributed with what effects on work behavior and family stability. All this is still relevant; but he forces us to look at issues beyond the matter which has activated so much of the enterprise of social policy research, of where to pitch the level of material support. As Murray has argued before, that level was already too high from the point of view of the initial objectives of work maintenance and family stability that were studied with such care. But whether high or low, it was in large measure irrelevant to the true objective, the achievement of the good society.

The argument now proceeds to how this discussion of enabling conditions for happiness should affect how we do policy, and here the objections that Murray will have to deal with become thicker and stronger.

His general point—that we often select as our test of success something that measures some aspect of what we want to achieve but isn't the whole thing, and may even miss the main point—is clearly well taken. This is a recurrent problem in evaluation of social programs, and by shifting the emphasis in considering policy to what we are *really* after, Murray points up the issue sharply. But he then selects as an example of how we err in selecting measures to judge social policy one policy in which he must take on both common wisdom and common sense. He develops at some length an analysis of the 55-mile-per-hour speed limit. It seems that it pays to maintain a 55-mile-an-hour speed limit: It saves lives. But a 40-mile-an-hour speed limit would save even more. Murray asks: Is saving lives our only objective? In any *individual* case, driving with more than the average level of care, or the increased value we place on the time gained as against the infinitesimal chance that one of those increased fatalities will be us, may make the argument for the 55-mile-an-hour speed limit invalid. His general point is that we err by aggregating costs and benefits: in any individual case the balance will be struck differently. I am not convinced by Murray's analysis of the 55-mile-an-hour speed limit, though I accept his criticism of our evaluation efforts in general. Is not the 55-mile-an-hour limit a perfect example of "neighborhood effects," where we need the state to set standards, because individually we will set one that seems best to us, but that for society and economy in general is costly?

I find more convincing his most extended analysis of a specific policy proposal, reviewed in the light of his three central enabling conditions for happiness. The issue is, how can we improve education, and specifically how can we get better teachers and teaching? This subject has been analyzed by many groups. The favored solutions are two: make teaching more professional, thus more respected, by establishing a board to certify teachers at different levels and competencies, and in effect making teach-

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ing more like a profession such as medicine; and raise teachers' salaries. His analyses of how these reforms might work in practice seem completely persuasive to me. In effect, it would be impossible to introduce major distinctions among teachers through certification and tests. In time, all teachers would demand the same benefits (which is what happens when we try to introduce "merit pay" awards), and tests and standards for certification would be so watered down that all teachers, past an initial qualifying period, would be certified. On the effectiveness of a general increase in teachers' salaries, one can make many arguments which project the effect as zero: For example, some of the best teachers today work in parochial schools and other private schools at less than public school teachers' pay. Murray notes that the period of the greatest relative increase in teachers' salaries (1961-72) seems to coincide with a decline in American education.

Murray then asks why it is hard to get good people to do a task so intrinsically satisfying as teaching children. His argument: We seem to have buried the intrinsic rewards of teaching in a system that turns them into straw.

The essence of Murray's approach, here as elsewhere, is that certain good things should occur naturally in society by reason of a common human nature, and a common human judgment as to what produces satisfaction in life.

> Does the nation suffer from schools that don't teach? The task is not to figure out better teaching techniques; we've known how to teach children for millennia. The task is to figure out what is keeping us from doing what we already know how to do. Does the nation suffer from too many children being born into fatherless families? The task is not to devise a public relations campaign to discourage single teenage girls from having babies, but to neutralize whatever is impeding the age-old impulse of human beings to form families. (233)

Murray argues for the virtue of the small-scale, the autonomous, the structures that emerge from a community dealing with its problems. He develops the virtues of this approach in a thought experiment in which a community of a hundred families has to go about providing education for its children. He demonstrates that the direct involvement of the families in deciding what kind of school to set up, and how to induce the best people to spend some time teaching the children, would lead to much better schooling than bureaucratic agencies can provide. Indeed, having shown how a rather idyllic school is developed, he then modifies the experiment, and plays out the results of an effort by a "Generous Outside Agency" (GOA) to improve the school still more by raising the teachers' salaries.

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Among the untoward effects: the pool of applicants is augmented by the wrong kind of people; teachers are viewed by parents as being in it for the money, creating conflicts between parents and teachers; the GOA, trying to make sure its money isn't being wasted, imposes paperwork requirements that reduce the time for teaching and subtly change the nature of a job which, once done for love, now begins to seem like a chore.

Murray perhaps overstates the case. I am sure that the virtues of good private schools, not enmeshed in huge bureaucracies, would not disintegrate on the happy occasion of a receipt of a large sum of money placed at their disposal. But the tendencies he highlights do exist. Donald Ericksen has documented similar effects when a provincial government in Canada began to pay for the costs of parochial schools. There are virtues to institutions that emerge—let us use the dread and suspect word—organically, out of a directly felt need, directly administered, virtues that are not easy to replicate at the level of national policy devised by pressure groups, organized interests, a distant legislature, and assorted experts. In the latter case every participant is cut off, in larger or lesser measure, from those who must directly implement the policy and those who are intended to benefit from it. Murray ends his discussion with an extended argument for free choice in education.

In education, as in social policy generally, Murray finds much of the cause of our distress in government, and argues for a radical reduction in its scope. For the most part, he says, government stands in the way of a happiness to which natural human motives, naturally expressed in natural institutions, would lead. Indeed, while he invokes Edmund Burke's "little platoons," as well as Peter Berger and John Neuhaus's influential argument for the role of "mediating structures," one will be reminded at the end of this challenging book less of conservatism than of anarchism, at least in its more benign form as propounded by Prince Kropotkin.

There is really very little for government to do by the end of this book, except to arrange for the national defense and build roads—and one is not so sure about the roads. Murray has taken an axe to the functions of government. Not only does he strip away almost all of them as unnecessary, he goes beyond that and attacks many of them as harmful.

He maintains that community institutions created by the people directly involved, meeting their needs as common sense and common values dictate, can do just about everything done by the welfare state and do it better. The enterprise is utopian, and objections tumble upon each other as one considers what he is proposing. Many of us, for example, are not interested in community—we don't know our neighbors and don't want to. Is that some aberration in social development, some distortion of the natural, the organic? Murray thinks it is: While we are always happy to

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have someone else do things for us, this deprives us of the satisfaction of community. Worse, catering to the temptation of turning tasks over to others deprives the great majority—who don't have the opportunity to create communities of the highly specialized or gifted or mobile, consisting of friends in a dozen cities and half a world away—of what can be and in the nature of things must be the major satisfactions of their lives: forming a family, raising their children, educating their children, helping their neighbors. Our easy reliance on government undermines the possibilities of such natural satisfactions for most of us. It is as if to say that if we withdrew the social workers, the teachers, perhaps too the police and firemen, from the South Bronx, we would find people rising to the occasion and taking care of their needs. One hesitates to perform the experiment: but Murray brings us to the verge of considering it, for indeed we know that in our most depressed urban areas there is an ever widening insistence that government alone must prevent the arson, protect the people and the businesses, eliminate the drug trade, raise the crack babies—even though government has given ample demonstration that in spite of its best efforts it can't.

There is a faith in ordinary human sentiments in this book that has been, for most of us, radically undermined. Only confront man with the need, Murray argues, and he will respond. He reminds us of Adam Smith's comparison of, on the one hand, the modest reaction of a European if he were to hear that the vast population of China had disappeared in an earthquake and, on the other, the very different reaction to a more immediate cause of distress:

> When the happiness or misery of others depends in any respect upon our conduct, we dare not, as self-love might suggest to us, prefer the interest of one to that of many. The man within immediately calls to us, that we value ourselves too much and other people too little, and that, by doing so, we render ourselves the proper object of the contempt and indignation our brethren.[7]

This is a radical book. Someone of conservative inclinations hesitates to go as far as it does. But it is as powerful as *Losing Ground* in leading us to rethink many things we take for granted, and opening our minds to other possibilities.

NOTES

1. Charles Murray, *Losing Ground* (New York: Basic Books, 1984).
2. Seymour Drescher, *Tocqueville and Beaumont on Social Reform* (New York: Harper Torchbooks, 1968), 1–2.

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3. *Ibid.*, 17.
4. Albert O. Hirschman, "Reactionary Rhetoric," *The Atlantic*, May 1989: 63–6.
5. Barrington Moore, Jr., *Reflections on the Causes of Human Misery and upon Certain Proposals to Eliminate Them* (Boston: Beacon Press, 1970).
6. John J. DiIulio, Jr., "The Impact of Inner-City Crime," *The Public Interest* no. 96 (Summer 1989): 28–46.
7. Adam Smith, in *The Theory of Moral Sentiments*, quoted in Murray, 292.

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Charles Murray

THE PROSPECTS FOR MUDDLING THROUGH

Nathan Glazer's The Limits of Social Policy *presents an analysis of recent American social policy that Edmund Burke could applaud. A main cause of the failure of American social programs, Glazer argues, is that government ineluctably supplants and weakens the "fine structure" of society—the traditional institutions of family, religion, and community. Sometimes the government is merely clumsy and ignorant, but more often the ill effects are the result of "the ruling doctrines of our age," equality and human rights, which cannot bear to leave the convoluted and sometimes unlovely ways of custom and local mores to play themselves out unimpeded. But the very persuasiveness of Glazer's analysis of the past casts some doubt on his measured optimism about the future. Are moderate reforms going to be good enough? Perhaps things will work out for the middle class and affluent, the reviewer argues, but the underclass increasingly appears to be a casualty of moderate reforms. The reviewer offers some reasons for thinking about a return to Jeffersonian self-government, unpragmatic as that may seem in 1991.*

In writing *The Limits of Social Policy* (Cambridge, Mass.: Harvard University Press, 1988), Nathan Glazer explored the same issues that have preoc-

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cupied me in recent years, which made reading the book a little like watching a master play a chess game using one's favorite opening. So much is familiar, proceeding on known lines, and one nods in agreement. Then comes a divergence, provoking a defensive wariness (maybe he has a better idea) and some envy (how easy he makes it look). Such were my reactions to *The Limits of Social Policy*. It is balanced and gracefully written, offering much to think about. But the very persuasiveness of Glazer's interpretation of recent history poses this question: Are moderate and realistic solutions to welfare-state failures good enough?

The Road to the 1990s

First, some context. "Social policy" as Glazer uses the term comprises primarily welfare, job training, employment, and educational policies, and the bulk of *The Limits of Social Policy* is devoted to a history of their evolution from the War on Poverty through the first term of the Reagan Administration. His account of the changing aspirations and understandings is personal as well as historical. Glazer was himself a player throughout the period, both as a scholar and as a consultant on the fringes of the political process.

In the beginning, Glazer writes, he counted himself among the liberals. As the 1960s wore on, however, he found himself increasingly dubious of the "dominant view" among other liberals. That dominant view held that the welfare state was an essential adjunct to a capitalist economy, moderating the evils of inequity and the dangers of social unrest that unrestrained capitalism created. The countries of northwestern Europe were showing the way, with the U.S. lagging behind. By the late 1960s, under Kennedy and Johnson, the United States had begun to catch up, and the liberals "had converted Richard Nixon, and. . .were beginning to show Europe a thing or two by plunging ahead with daring experiments in community participation and social planning to complete the attack on poverty" (2).

Glazer ticks off the rest of the key elements of the dominant view. Social distress is everywhere, and voluntary efforts are pitifully inadequate. The government is the only suitable agency for dealing with them. The blame for these problems resides exclusively in the political and social systems, not at all in the behavior of the people exhibiting the problem to be addressed. "The liberal stance is: for every problem there is a policy, and even if the problem is new, the social system and polity must be indicted for failing to tackle it earlier" (3). Rather than "dominant view," Glazer might better have called it the orthodoxy, for during the 1960s and early 1970s, people like Glazer found that to question it in print was very like heresy.

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It is a decade now since a liberal social program of any size was launched, and one forgets how lavish were the efforts. Regarding just one subclass of employment efforts, the "work training" programs, Glazer writes:

> A mere rollcall of the initials of different programs, each of which has had its own evaluations in number, reduces one to dumbness: ARA, MDTA, JC, NYC, WIN, JOBS, CEP, PEP, CETA, PSE, STIP, HIRE, YEDPA, PSIP, PIC's, YCCIP, YIEPP. They all stand for something, and none stands for something that is not substantial and of some consequence. All once excited enthusiasm. . . . (80)

Glazer manages to summarize and synthesize the lessons from these efforts, in education and welfare as well as work training, in a hundred-odd pages. It is a masterly tour of the social policy horizon over a period spanning two decades. It is especially valuable for Glazer's lucid treatment of the Reagan reforms. Nonspecialists who need an accurate sense of what happened and the bare bones of the results—ignoring the reasons why—can do no better than *The Limits of Social Policy*. It cannot attract much criticism (I would think) from anyone except the most unreconstructed poverty warrior.

Why Social Intervention Fails

Glazer's account of the "why" of the failures and of the growth of an underclass are more controversial. He dismisses interpretations that blame the failures of social policy on too little effort or niggardly budgets. He barely acknowledges the explanation that structural changes in the economy and the flight of middle-class blacks from the inner city are to blame. This explanation, popularized by William Julius Wilson in *The Truly Disadvantaged*,[1] is currently the favorite of the left. I wish Glazer had at least speculated (the data are still too sparse to do much more than that) about the plausibility of these explanations. Ethnic communities have not always collapsed when the economy changed nor when their successful sons and daughters left home, and Glazer, coauthor of *Beyond the Melting Pot*, knows this history as well as anyone.[2] Glazer does give some weight to the leading alternative explanation on the right, that the blame lies with changes in incentives created by the welfare reforms. But in Glazer's view, such changes are but manifestations of a larger phenomenon. That larger explanation, he writes, can be summarized in two propositions:

> 1. In our social policies we are trying to deal with the breakdown of traditional ways of handling distress. These traditional ways are located in the

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> family, primarily, but also in the ethnic group, the neighborhood, the church.
> 2. In our efforts to deal with the breakdown of these traditional structures, our social policies are weakening them further and making matters in some important respects worse. We are making no steady headway against a sea of misery. Our efforts to deal with distress are themselves increasing distress.(3)

The reason social policy weakens these traditional structures is "the simple reality that every piece of social policy substitutes for some traditional arrangement, whether good or bad, a new arrangement in which public authorities take over, at least in part, the role of the family, of the ethnic and neighborhood group, of voluntary associations" (7).

I share Glazer's opinion on these matters, but I fear *The Limits of Social Policy* may not convince the unconverted, because it argues Glazer's case only sporadically. The book is a collection of essays previously published as separate pieces, most of which were written with other purposes in mind. Thus Glazer does not tell us in the chapter on education and training (for example) how his thesis applies to the specific reforms in that area. In discussing welfare, he only occasionally alludes to the ways in which nongovernmental institutions were undermined by policy. Readers who are predisposed to agree with Glazer will pick up on these allusions readily enough, but there is such a wealth of connections that Glazer could have made (he obviously has them in mind), that the connections he does make are often more tantalizing than convincing. For example, there is this profoundly sensible statement about health:

> Ultimately, we are not kept healthy primarily by new scientific knowledge or more effective cures or even better organized medical care services, although they are all important. But we are also kept healthy by certain patterns of life. These, it is true, are modified for the better by increased scientific knowledge, but this knowledge is itself communicated through such functioning traditional organizations as the school, voluntary organizations, the family. We are kept healthy by having access to traditional means of support in distress and illness, through the family, the neighborhood, informal social organization. (16)

Precisely. So why is it that the changes in social policy undermined these ways of keeping healthy? The answer lies not only in health policy. It does not lie even mainly in health policy. Rather, a change in welfare policy or housing policy can affect health indicators—not directly, but through the labyrinth of interconnections that Glazer has in mind. Glazer, one of the few people who has a specialist's knowledge in a variety of areas of social policy, is in a position to lay out these interconnections authoritatively. As in the case of Glazer's earlier book, *Ethnic Dilemmas*, one wishes that Glazer

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had started from scratch rather than string together essays, however excellent they may be individually. He has more to say than the sum of the parts he puts in his books.

When in chapter 8 Glazer does turn directly to his thesis (government interventions make matters worse by supplanting and weakening traditional institutions), he does so brilliantly. With a bow to Burke's phrase, "little platoons," Glazer speaks of the "fine structure" of society, and ponders why social scientists have been so consistently disappointed in their efforts to do good; why the modern state reminds one "of a friendly but clumsy giant, who, in his efforts to help, tramples delicate and sensitive growths" (142). He discerns three reasons, each of which could be the topic of a book. The first reason is incompetence: "[W]e are still in large measure ignorant of how the fine structure of society works, and often we simply give the wrong advice" (147). The second reason is that the fine structure of a highly heterogeneous society like the United States is much harder to take into account than that of a homogeneous society: "Thus things work better in Sweden, we tend to think, than in Britain; better in Britain than in the United States" (149).

Glazer reserves his most important reason for last: "[T]he doctrines of equality and human rights, the ruling doctrines of our age, make it impossible to leave superstitions, customs, and traditions in darkness, playing their role with the conscious or unconscious connivance of government" (152). It is a sentence that a resurrected Burke might write. The first two problems might be solved sometime in the future, Glazer says—perhaps social scientists will finally become sensitive to the workings of fine structures, perhaps we will find ways to accommodate cultural diversity. But that will not relieve the underlying tension caused by the demands of Rawlsian social justice. "All dark places must now be illuminated by the doctrine of equality and rights. Everything must be made straight and plain and clear and equal. And this is a contradiction limiting the effectiveness of social policy that I do not see any way to overcome" (*ibid.*).

A classic case is the family, where children and mothers and fathers have historically had widely different (and unequal) roles. It is all very well to say that mothers should have equal opportunity with fathers to pursue careers outside the home, and that this will require massive federal child care measures—but can we enact such programs and still preserve the kind of family that is, as Michael Novak likes to say, the best Department of Health, Education, and Welfare?

Whether out of prudence or reluctance to repeat *Ethnic Dilemmas*, Glazer omits any mention of race, which is potentially the most explosive source of American tension between equal rights and the fine structure. But the implications of Glazer's argument for race are clear enough, and will

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surely become more problematic in the next few years. Here, the ethnic neighborhood is the archetypal example. Consider a cohesive, vital, functioning community—an Italian neighborhood like Bensonhurst, for example. It is cohesive and vital in large part because the people who live in that neighborhood share a common ethnic heritage. As it happens, there is no such thing as a black Italian. How does a government committed to equal rights permit a neighborhood like Bensonhurst to protect the extremely important values associated with being a functioning community? Obviously, it does not permit violence against outsiders, nor does it permit lesser abuses like harassment. But what, if anything, is a permissible form of informal, nonlegal discrimination that helps the community retain its identity? There is, apparently, none. Consequently, the government acts aggressively to promote equal rights in a way that indirectly but inevitably breaks up the neighborhood. At what price is equality purchased?

As of 1991, the intellectual consensus still holds that strict equality is the supreme value and that anyone who thinks otherwise will just have to learn to live in the pluralistic twentieth century. Glazer puts himself in a minority even by arguing that "there is much to be said" for "the defense of complex institutions and social bonds, incorporating authority and, if you will, superstition, as an unexamined but accepted element" (155). He will not go so far as to argue that there is more to be said in defense of those institutions than for radical and egalitarian individualism. His conclusion is stinging enough nonetheless. If those who insist on a radical and egalitarian individualism continue to have their way, he writes, "the hope that social policy will assist in creating more harmonious social relations, better-working social institutions, broadly accepted as the decent and right way to order society, cannot be realized" (*ibid.*).

The Case for Optimism

Nathan Glazer is a man of measured opinion who does not often see the sky falling and is disinclined to fly to radical solutions. For someone like myself, less judicious on both counts, the most provocative aspect of *The Limits of Social Policy* is that Glazer can analyze current social problems in terms that I find so persuasive and yet be so sanguine that things are going to work out.

Part of Glazer's measured optimism derives from his longheaded view of the trends in decentralization. In the late nineteenth century and through the first half of the twentieth, the Progressive reform movement in the United States was uniformly in favor of greater efficiency in the operations of government and greater uniformity in its laws—hence Pro-

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gressives always favored greater centralization, whether it was the case of a city manager replacing a hodge-podge of school and police and welfare councils, or of a national law sweeping away state-level disparities in fair-housing practices.

The first break in the conventional wisdom about progressive reform came in the 1960s, as the intellectual elite decided that city functions—or some city functions, at least—should be decentralized after all. Ironically, one of the main levers for accomplishing this decentralization at the city level was the aggrandized power of the centralized national government: The piles of money being dispensed by the federal poverty programs were increasingly funnelled directly to newly created bodies within poor communities. This was the era of "maximum feasible participation."

This kind of decentralization didn't work well—local organizations that are created because a government official says they have to be created tend to be lifeless—but it broke the back of the intellectual opposition to decentralization as a concept. Until the 1960s, the left could laugh off appeals to federalism—"states' rights" was seen as nothing but a subterfuge used by Southern segregationists, not a legitimate appeal to constitutional limits. But when during the 1960s "community control" was sought for poor black people, it seemed different. It wasn't really different, Glazer points out:

> It was, after all, community control that the South fought for when it defended segregated schools, that the North defended in opposing busing for desegregation, and it was community control that well-to-do suburbs in the United States possessed, and retained. People aside from those black and poor found attractive the concept of "power to the people," if not the specific slogan. By the second half of the 1970s, the notion of power to the people no longer could be characterized as "left" or "right." It represented a generalized disillusionment with big government that encompassed all parts of the political spectrum. (122)

Along with the disillusionment with big government came a "decline of faith in experts." Glazer has a wealth of examples to point to—in education, the distrust of the professional educators who presided over the deterioration of the public schools and the rise of various movements to return decisions about the schools to neighborhoods and to individual parents; in health, the rise of self-help groups for all sorts of medical problems (alcoholism, obesity, mental health) and the drastic increase in the involvement of parents and lay practitioners in childbirth; in welfare, the return of powers to the states (124–5).

Furthermore, Glazer argues, these forces working in favor of decentralization are unlikely to be reversed. As affluence spreads, more and more people have enough money to think that they can do a better job than the

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government of educating their children or providing for their retirement (126). And along with the affluence goes a broadly higher level of education, and a variation on the same theme: "[A]s education spread, as the average American saw himself as being as good as or better than the average social worker, teacher, policeman, or government administrator, it was inevitable that he (and increasingly she) would demand a greater role in government and in management of the services provided" (128). We are moving toward what Glazer calls a "self-service society."

Glazer could have drawn on additional evidence that the self-service society is irreversibly on its way. The potential of the computer is most obvious. Powerful as the personal computer already seems, the technology is still in its infancy. By the end of the century, the PCs on our desks will approach the number-crunching capacity of today's Cray supercomputers—except that they will be easier to use, with vastly broader day-to-day applications, than today's Cray. The implications for big government are disconcerting. Bureaucracies that exist primarily for the storage and dissemination of information or for processing forms will be under pressure (however fiercely they resist it) to shrink to a fraction of their former size. The Post Office will be little more than a convenient way to send magazines and catalogues. The old wisdom, that computers would make government into a Big Brother, is being turned on its head. Yes, a government can use computers to know more about its citizens, but its ability to control events is constantly being undermined by the same technology. Furthermore, government will be coexisting with a private sector in which every enterprise is using technology to pander to the increasingly autonomous individual. Is it really possible that people will not demand the same of government?

So there is reason to be optimistic. As I read Glazer (for he is most reticent about statements that might be construed as political), this is roughly his reading of events: During the 1960s, Americans aspired greatly. In the aftermath, thoughtful observers were greatly chagrined. The reaction against the excesses of the 1960s was appropriate. We are proceeding now, in a distinctively American style, toward a hybrid welfare state in which the existing welfare-state institutions coexist with private and voluntary institutions. As we become more aware of the value of the fine structure of society, as we move more toward a self-service society, the future is, if not rosy, at least tolerable.

The Case for Pessimism

But where does that leave the underclass? If social engineering hasn't worked, what will? The merits of voluntary and private agencies, the

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movement toward a self-service economy, and the other bright spots that Glazer discerns in recent trends are mostly to the advantage of people who are already participants in society—the working and middle classes. Meanwhile, in the inner city, are there any signs of improvement? Some observers are finding such signs in a few of the statistics relating to blacks. Crime rates fell somewhat in many inner cities during the early 1980s. Unemployment among blacks fell dramatically in cities with tight labor markets. The Department of Education has reported that black dropout rates have fallen. But for every bright spot is a dark side. Crime stopped falling in the mid-1980s (despite continuing demographic changes that "should" have produced continuing improvement) and began rising again. The crack epidemic seems to be making the crime situation worse yet, with effects that transcend discrete changes in the crime numbers. Black unemployment dropped in cities with tight labor markets, but the effects on blacks who have dropped out of the labor market have apparently been small. Whatever has happened to dropout rates in the schools, the evidence suggests that improvements in the quantity and quality of learning have been slender. The proportion of births to single women—the most important indicator of all, in my view, for what it says about the future of the inner city—has continued to rise inexorably, reaching 63 percent in the latest figures (for 1988) for blacks as a population, which means (since illegitimate birth is still strongly correlated with low socioeconomic status) that the percentage of children born to single women in the inner city is somewhere in excess of 80 percent in most urban areas.

I can imagine no moderate, incremental reforms that are likely to affect these conditions. The welfare reform bill passed in 1988 is an example. It was supposed to help women on welfare get jobs by providing training, child care, and continuing Medicaid coverage after going to work. It was widely perceived to be a "workfare" bill as well, requiring able-bodied welfare recipients to work. In short, the 1988 bill was advertised as an example of the new consensus about social policy that is supposedly linking liberals and conservatives, now jointly wiser after the lessons of the past. In practice, the bill's incentives are probably perverse, by giving working women who are not on welfare a powerful reason to get into the system (so that they may become eligible for the child-care and Medicaid benefits when they go back to work). But aside from that, the bill's purported virtues (training, workfare) are ephemeral, scheduled to appear a few years downstream, contingent on hazy funding alternatives, subject to the usual variety of administrative mixups and delays. The net result (or so this pessimist concludes) is that the bill gave its supporters the illusion of having "done something" about welfare mothers without accomplishing much substantively.

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Perhaps an even better reason to be pessimistic is the way that so many reforms supposedly based on the virtues of local control try to get the benefits of local control painlessly. One key to successful local endeavors is affiliation of like-minded people, for the same reason that one requirement for a successful club is a choosy membership committee. Or, to be blunt, a key to successful local endeavors is the ability to discriminate. Discrimination is of course impermissible, and a typical result is that decentralized programs begin with a crippling handicap. The major school reform currently underway in Chicago is a case in point. At first glance, it appears to be exactly what a decentralizing reformer would want: Chicago has turned a great deal of control over the schools to the parents of the students who attend them. But once again I fear consequences similar to the "maximum feasible participation" of the 1960s. Parents are effective at setting a school's agenda when they have voluntarily come together to secure good things for their individual children—as happens when parents choose a school for their children to attend, or when parents move to a neighborhood where they can be confident that other parents have similar aspirations for their children. Parents are not necessarily effective at setting a school's agenda when different parents, with very different backgrounds, different understandings of what school is supposed to do, and different aspirations for their children are instructed to run their schools.

A third reason for pessimism is that even thoroughgoing reforms aimed at the inner city (and I must admire the Chicago reform for its boldness) are going to take some time to work. Alexis de Tocqueville said it as well as anyone 150 years ago. "A very civilized society finds it hard to tolerate attempts at freedom in a local community," he wrote. "It is disgusted by its numerous blunders and is apt to despair of success before the experiment is completed."[3] This is most emphatically true when local control is treated not as the right way to run society, but as an "experiment" that social policy planners may grant or withdraw as they see fit.

And that, finally, is why I question the future of social policy when it is ruled by pragmatism, even a pragmatism as thoughtful as Nathan Glazer's. Glazer does not outline a program in *The Limits to Social Policy*, but he seems to look benignly on his projection of more local control and more realism in the continuing presence of a large welfare state. This is a future for social policy that, if realized, will work quite well for the affluent, for the middle class, perhaps even for the working class. But what will happen to the underclass? I fear that as the nation's wealth continues to grow and as the forces working on behalf of decentralization and autonomy for the middle class continue to gather force, the pragmatic thing to do will be to take care of the underclass as wards of the state—after all, we don't know

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how to social-engineer its members out of their behaviors, and taking care of them doesn't cost that much money, relatively speaking.

Why is this so bad? Objectively, the people we identify as the underclass often act as if they are incompetent to manage their own affairs. Many are addicted to drugs or alcohol. Many are emotionally unstable. Many are of low intelligence. Perhaps society is sifting itself into something resembling the meritocracy foreseen by Richard Herrnstein, a society in which the lower class is decreasingly created by lack of opportunity and increasingly created by lack of aptitude.[4] If so, why should it not be appropriate, in an age of abundance, to take care of the less fortunate using the instruments of the central government?

This puts the crucial question for the next debate over social policy, when we quit arguing about welfare cheats and begin considering what constitutes the good life for the people that the welfare state takes under its wing. My answer, briefly, is that taking care of people isn't good enough. The point of life is not just staying alive, but (as the Founders meant the term) the pursuit of happiness. In a properly constructed society, all people—not just talented people—ought to have ways to lead lives that are legitimately satisfying. By "legitimately satisfying," I mean that people spend their time doing important things. For all of us, perhaps especially for those with the fewest gifts, "doing something important" must mean being full-fledged members of families and communities.

The definition of "full-fledged" will differ for different people, but of this I am confident: In all cases, for everyone except perhaps the profoundly retarded, there must be a strong component of self-possession, of autonomy, of contributing to the community as well as receiving from it. I believe that such arrangements are possible, but not in the context of the welfare state as we currently know it. They occur—they occur *only*—in Burke's "little platoons," in Glazer's fine structure of society. I suggest that modernity does not make these little platoons obsolete. The need to be part of them is an inextricable part of what it means to be human. Further, consider this possibility: To arrange society so that the little platoons are increasingly responsible for their own affairs becomes more feasible, not less, with modernity. Affluence and instant communications and physical mobility do not necessarily constitute reasons why centralized institutions are necessary, but rather reasons why they may be discarded.

My idealistic and distinctly unpragmatic stance toward social policy is to say that local control, the voluntary coming together of neighbors, and responsibility for one's own life are good things for everyone, not just the middle class, that they are the basis for the pursuit of happiness—that the way to help the underclass live satisfying lives is to make them responsible for their own lives and responsible for the life of their community. I also

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suggest that the way to tap the assets of the able and the affluent is to pull down the bureaucracies of social service professionals that now shield them from personal responsibility. It does not seem to me far-fetched that, deprived of the ability to pay social service professionals to do it for him, the average American in the late twentieth century would take his own steps, in his own neighborhood and reaching across to poor neighborhoods, to keep his fellow human beings from starving in the street, to keep children from growing up neglected, to keep communities from being ravaged by crime and drugs. It does not even seem far-fetched that these steps would be more effective than the current system in reducing the incidence of discrete problems such as malnutrition, child neglect, and homelessness, even as it was spectacularly more effective in achieving the larger goal of enabling people to live satisfying lives.

This is a radical approach indeed in an age when social democracy along the Western European model seems to be enjoying a global ascendancy. But having spent the last few decades testing the limits of social policy, why not reconsider the potential of a solution that was once as American as apple pie: Jeffersonian self-government?

NOTES

1. William Julius Wilson, *The Truly Disadvantaged: The Inner City, the Underclass, and Public Policy* (Chicago: University of Chicago Press, 1987).
2. Nathan Glazer and Daniel Patrick Moynihan, *Beyond the Melting Pot,* 2nd ed. (Cambridge, Mass.: MIT Press, 1970).
3. Alexis de Tocqueville, *Democracy in America*, ed. J.P. Mayer, trans. George Lawrence (New York: Doubleday, 1969), 62.
4. Richard J. Herrnstein, *IQ in the Meritocracy* (Boston: Little, Brown, 1974).

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Howard Husock

THE ROOTS OF HOMELESSNESS

The authors of three examinations of the problem all see the homelessness phenomenon chiefly through the prism of the housing market, rather than focusing on the personal pathologies of the homeless themselves. The three diverge, however, as to the role which government intervention has played in causing the crisis or should play in solving it. James D. Wright argues there has been insufficient public intervention and subsidy; William Tucker contends that intervention causes homelessness; Charles Hoch and Robert A. Slayton imply that a less regulated market may prevent homelessness, if not necessarily by providing the safest or most comfortable dwellings.

Notwithstanding the term itself, the issue of homelessness, when it made its way to the American public agenda in the early 1980s, was not seen at first as a housing issue. The "new homeless" were viewed as specific medically needy populations—the deinstitutionalized mentally ill, the alcoholic, the drug-addicted. Early debate about the proper response to homelessness focused on social policies such as deinstitutionalization. The debate did not develop far along these lines, however. Although some "homeless advocates" have continued to discuss the types of social services needed by different elements within the homeless population, homeless-

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ness came to be seen generally as a problem at whose core lies a lack of homes (or at least, some form of shelter) for the "most vulnerable," i.e., the poorest. Discussion of homelessness became a new way in which was joined the old debate about how best to provide low-income housing. The left, particularly, has sought to use this framing of the issue as the trump card to support the view that the means should be found to increase substantially the level of public funds for "housing"—meaning government-financed construction or rehabilitation. Homelessness has been taken as conclusive proof of the inadequacy of such efforts to date and has been tied, in popular argument, to Reagan-era reductions in levels of low-income housing construction. It is not at all surprising that the debate over homelessness would take such a turn given the extent, historically, of public intervention in the housing marketplace. In an attempt to deal with what Henry Aaron has identified as our two gnawing (or at least perceived) housing problems—"the too little housing problem" and "the bad housing problem"—we have tried strategies ranging from public housing authorities to housing vouchers, along with zoning and housing and building codes at the local level. In the process, we have molded a history which makes calls for further intervention in response to new problems predictable.[1]

Interpreting the Homelessness Phenomenon

Yet how are we to be certain that the rise in homelessness and other housing difficulties of our era are the result of *inadequate* rather than *inappropriate* interventions in the private housing marketplace? That can be said to be the central question raised by a group of new volumes on the homelessness phenomenon and the issue of what the appropriate response to it should be: Charles Hoch and Robert A. Slayton's *New Homeless and Old: Community and the Skid Row Hotel* (henceforth NHO) (Philadelphia: Temple University Press, 1989); William Tucker's *The Excluded Americans: Homelessness and Housing Policies* (EA) (Washington, D.C.: Regnery Gateway in cooperation with the Cato Institute, 1990); and James D. Wright's *Address Unknown: The Homeless in America* (AU) (New York: Aldine de Gruyter, 1989). Although they by no means represent the entirety of research on the homelessness phenomenon, they do, taken together, appear to span the spectrum of current argument. All three books link homelessness with low-income housing policy generally. Each takes the view that increasing the low-income housing supply, or the amount of housing available to those of low income, is the most important way to cope with homelessness. None is more than peripherally concerned with the pathologies of those who live on streetcorners or next to heating

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grates. Hoch and Slayton, as well as Wright, assert specifically that such homeless are likely a numerical minority of the relevant population.

Each book, however, has its own analysis of the if and how of public response to homelessness. For Wright, it is the *inadequacy* of public response that it to blame. Only some form of transfer payments or directly subsidized construction can ameliorate it. For Tucker, it is the *inappropriateness* of previous public interventions—he emphasizes local-option rent control—which is to blame. A combination of deregulation and transfer payments (housing vouchers) is his solution. It is Hoch and Slayton, however, who deal most directly with one aspect of the housing market which appears to have most directly affected those at risk of becoming homeless. They provide arresting new data regarding the demise of the single-room occupancy "hotel" and the resulting devastation wrought on poor, single people. Even while continuing to advocate regulatory strategies in approaching the problem of low-income housing supply, they provide historical evidence of the efficacy of a freer housing market (although not an altogether safe or comfortable one) as a source of such supply and as an antidote to homelessness.

It is especially interesting, when examining housing, to compare the contemporary situation with the period of the late nineteenth and early twentieth century, a time when many of the social forces with which Americans cope today—new immigration, technological change and labor market disruption, poverty and a rising demand for "affordable housing"—were evident. It was also, however, an era before zoning codes and their restrictions on housing types, a condition to which the great diversity of housing still to be found in the cores of older American cities, dating from this era, attests. Small "walkup" apartment buildings, row houses, tenements, three-deckers and a rich variety of other regional housing forms flourished. Largely (often actively) disdained in their own era by housing reformers, the social importance of such structures as these has, in retrospect, won them the appreciation of scholars of both housing and community life. In *The Urban Villagers*,[2] Herbert Gans found social value in a "slum" comprised of small, privately held tenement buildings. In *The Tenement Landlord*,[3] George Sternlieb found that small-scale rental properties operated by owners who lived in them made for good housing even in bad neighborhoods.

To such appreciations, one can odd Hoch and Slayton's rich reconstruction of the social and housing-market role played by the single-room occupancy (SRO) or Skid Row hotel. Using an array of social history sources—from city directories to narrative accounts of life in such hotels—they provide the means to understand the cheap hotel as a vital buffer between the poor and homelessness, a buffer whose decline—hastened, in

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part, by purposeful demolition by public authorities—helped precipitate the rise in homelessness which became manifest in the 1980s. Hoch and Slayton use accounts of SRO history, particularly though not exclusively in Chicago, as the lens through which to see the larger issue of how housing for the poorest has been provided. They describe a world which is not primarily one of the mentally ill or the alcoholic or other populations whose treatment needs should drive public policy directed toward their housing needs. Rather, single-room occupancy "hotels"—actually furnished, long-term residences with few amenities but low rents—compose the low end of the housing market, where a poor, relatively unskilled population, generally without immediate family, obtained the best housing it could get with limited resources. It was housing not only accepted but preferred, according to Hoch and Slayton, because it provided both privacy and some sense of community. Citing a 1964 study of the nation's best-known Skid Row—the Bowery in New York—they report that "the most common phrases used by residents to describe their life-style and environment were positive ones, in particular that 'no one bothers me' and that each person is 'free to come and go' "(NHO 100).

Historical Role and Utility of SROs

In Hoch and Slayton's telling, single-room occupancy hotels are a vestige of a richly diverse, if in some ways squalid, private housing market which developed to serve the variegated—immigrant, transient, skilled and unskilled—labor force that arose at the turn of the century. It was a time in which fast-growing cities such as Chicago were drawing waves of new population, a time in which important industries, such as railroad construction, relied on short-term transient labor. There was no significant government role in housing the vast new population of newcomers and transients. Instead, housing was the result of what James Borchert—in reference to housing for the poor in the District of Columbia—has described as "many individual decisions by landowners, builders and others. The potential for profit, and the efforts to realize it, profoundly affected the nature and character of the . . . communities that developed" (NHO 17–18). There was housing for a great variety of market niches and sub-niches. The middle-class clerical, secretarial and sales force, for instance, gravitated first to boarding houses, which provided shared meals, and then to rooming houses. Both types of housing consisted of converted homes, mansions or even one-time luxury hotels that were adapted for reuse at a time when such conversions could occur without significant legal restriction. Both provided furnished rooms but, write Hoch and Slayton, rooming houses appealed to transients because they

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"lacked the social control the boarding house represented. Middle-class migrants wanted the freedom to eat when, where and what they wanted and to answer to no one but themselves" (NHO 15).[4] The scale of the rooming-house movement was substantial. A 1920s Illinois Lodging House Register listed 1,139 rooming and lodging houses on Chicago's North Side alone—providing housing for 23,007 people. The rooming houses, of course, provided both housing for their tenants and business opportunities for their owners, who were primarily female entrepreneurs (92 percent of the Chicago owners in 1900). "Most of these women turned to managing rooming houses as a way of earning a living, but some were former roomers themselves who had decided to strike out on their own in entrepreneurial fashion, gaining economic power and social autonomy" (NHO 18).

But for those at the lower depths of the economic scale, people analogous, Hoch and Slayton assert (and this is an important assumption), to those who comprise the bulk of today's homeless and potentially homeless—the adaptive private housing system of nearly a century ago was producing some forms of shelter which neither lend themselves to romanticization nor inspire replication. A spot-labor working class of "hobos, tramps and bums" faced, at times, a shortage of inexpensive, short-term shelter severe enough that it was forced to turn to such alternatives as saloons that allowed patrons to sleep in their chairs for the price of a beer; establishments that allowed customers to sleep in hallways; or, worst of all, "facilities that, for a penny, merely permitted callers to hang on a series of ropes stretched across the room" (NHO 51). These working poorest—not some breed apart but manual laborers (track-layers, mule-drivers, ditch-diggers) with a need for cheap housing—could be divided into discrete sub-groups based on their life-style patterns, distinguished by such factors as willingness to travel, regularity of employment, and willingness to beg or engage in dishonest activities. But all were in the market for the kind of short-term housing which could be found in the various "stems" (cheap housing districts) adjacent to downtown commercial areas.

In places like Chicago's "Main Stem," there developed the chief market response to their shelter needs—the single-room occupancy "lodging house." These were not converted private homes but larger structures, some converted apartments, some converted warehouses, some newly-constructed "workingmen's hotels." Their quality varied dramatically—small increments in rent could lead to major changes in quality of quarters. The housing market—both for the poor and the aspiring working class—was a ladder with many small steps. The workingmen's hotels, in some of which residents wore collars and creased trousers, provided such ameni-

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ties as stationery and desks. Less desirable "cage hotels" provided great numbers of rooms—one floor could have as many as 200 five-by-seven cubicle rooms with iron bed, mattress, quilt, chair, locker and light bulb—but were known for dirty sheets, vermin, and limited toilet facilities. One contemporary survey of fifty cheap lodging houses found but twenty-four showers among several hotels that together housed 8,500 men (NHO 49).

Traditonal accounts of this era, from Jacob Riis on, have been unforgiving in their depiction of such conditions. And who can doubt that health and safety problems were abundant? Hoch and Slayton, however, while acknowledging such squalor, tell another story, having wrung from the historical record glimpses into reasons behind the popularity of such dwellings—reasons which went beyond simple desperation for those 40,000 to 60,000 men who made use of them nightly in Chicago at the turn of the century. Independence and privacy, they conclude, compensated, in part, for otherwise deplorable conditions. Alice Solenberger, author of a 1911 study of homeless men in New York, knew the "cages" as a sought-after form of housing, one more desired than, for instance, municipal shelters, which offered beds in common dormitory settings. In "cages," she wrote, "each man sleeps alone in a tiny room, the door of which he may lock when he enters, and this fact alone accounts for their greater favor" (NHO 52). Nor should life for those staying in a Main Stem cage or workingmen's hotel be judged only in terms of their sleeping quarters. The presence of concentrations of poor workingmen, limited though their individual buying power might have been, was sufficient to spawn teeming districts of restaurants and service establishments. In addition to taverns which offered a free lunch to drinking patrons, there were restaurants offering inexpensive fare ranging from chili to chop suey. Besides predictable services such as pawnshops, there were trunk shops for storage, barber colleges offering free haircuts, cigar stores, Turkish baths, taxi stands, bookstores and newsstands. The combination of lodging houses and their surrounding districts, write Hoch and Slayton, made for "a community, a place where men could interact, take care of their business needs, find camaraderie and friendship. It was these features that made the Main Stem a real home for its residents" (NHO 34).

"Shelterization," Urban Renewal and SRO Decline

It is in contrasting SRO lodging houses to more limited publicly run municipal lodging-house systems that Hoch and Slayton begin to point their narrative toward the contemporary debate regarding homelessness. Public shelters of various types supplemented the private lodging house

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system in the decades around the turn of the century. In the 1890s, for instance, police stations provided shelter. A reform backlash against such facilities led, however, to the development of more formal municipal shelters. There was no charge for spending the night, but such public shelters were nonetheless considered less desirable than private facilities. In Chicago, a night at the municipal lodging house was predicated on proof that the guest was both able-bodied and willing to work. Tests were administered; life stories demanded. Stays were limited to four nights. Such is the way with public shelters, past and present, assert Hoch and Slayton, perhaps reflecting the influence of Piven and Cloward's *Regulating the Poor*.[5] The need for low-end housing is overlaid, in public settings, with "social control" measures which make free lodging contingent on improvement in allegedly deficient morals, all in the service, Piven and Cloward have argued, of ensuring a quiescent labor force. Moreover, because public shelters do not offer private rooms, they rob their residents of privacy and a sense of autonomy. (Such assertions ring true. This writer, during a recent visit to a homeless shelter in the Northwest, witnessed a nightly ritual which seemed to reflect the deep-seated need for a sense of personal space. When the shelter opened in the evening, numbers were distributed for the forty-odd places in the facility. Notwithstanding the fact that all the beds were in one large room, the homeless lined up to ask for specific numbers which were matched with specific beds.)

If "shelterization" policy misunderstands the housing needs of the very poor, why have shelters become the current public policy of choice? Why do the "new homeless" face such different housing choices than did their historical counterparts? More specifically, why did privately run SROs decline? The most obvious cause was pubicly sponsored demolition, a direct result of the urban renewal programs set in motion by the Housing Act of 1949. A combination of forces, both reformist and commercial, were at work here—a confluence of developer and local government interest in the centrally located land on which SROs stood on the one hand, and reformers' concern about "substandard" housing on the other. There were two kinds of reformer: "While the social problem analysts defined the homeless on Skid Row as needy misfits, the social order analysts identified the Skid Row homeless as members of a deviant social community. In either case the ideas undermined the legitimacy of Skid Row as a viable community of urban residents" (NHO 114). The result, write Hoch and Slayton, was "wholeale land clearance" (NHO 116). In three Chicago neighborhoods, the total number of SRO units fell from 38,845 in 1960 to 7,449 in 1980—a decline of 80 percent in twenty years. In light of the fact that Peter Rossi's authoritative, block-by-block survey of

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Chicago's homeless in 1985 found 2,722 people either living on the streets or in homeless shelters, such demolition data is, indeed, striking.

There were other factors at work, during this period, which might have allowed SRO demolition to proceed with relatively little dislocation for tenants. In fact, it seems likely that, notwithstanding the current focus on the plight of the poorest, demand for such units did decline. The combination of expanded federal housing construction subsidy programs (particularly for the elderly poor) and new income support programs (particularly Supplemental Security Income payments to the elderly poor and disabled) provided some former SRO customers with new options. Clearly, though, residual demand for SRO-type units started to outstrip supply at some point.

If urban renewal explains SRO demolition, what explains the failure of the market to replace lost units? After all, population movement to growing suburban areas left behind depopulated neighborhoods in which buildings might have been adapted for SRO-type use. Although they do not ask this question directly, Hoch and Slayton do provide the answer: building code safety and amenity requirements. The ways in which traditional SRO tenants traded off comfort for savings simply became illegal. Coincident with demolition, the market was constrained from replacing lost units. Hoch and Slayton are much concerned about the increase in the poverty-level population in the U.S. since the end of steady postwar growth. But they are not confused as to a relationship between poverty and homelessness:

> We argue that the loss of SRO hotels was the major reason why the single poor became visible street people in big cities. The unexpected rise in economic hardship among working-class households in large cities had increased the number of destitute single people but it was the destruction of thousands of SRO hotel units that left these people with too few affordable rooms to rent. Poverty is a necessary but not sufficient condition to account for homelessness. It is the lack of cheap SRO-type housing that turns urban poverty into homelessness. (NHO 173, emph. added)

It is surprising, in light of such assertions and their detailed reconstruction of the extent of SRO life before 1960, that Hoch and Slayton do not address the supply side of this least expensive form of housing, except to call for government intervention to preserve remaining units. They are effusive in their praise for a publicly financed rehabilitation program in Portland, Oregon, for instance, and for local ordinances (which may not withstand legal scrutiny) "penalizing SRO owners who seek to convert or destroy their buildings" (NHO 249). But they make only passing reference to one of the most promising new precedents in SRO housing, the con-

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struction in San Diego of new, non-subsidized, privately owned SRO hotels made possible, in part, by building-code waivers.[6] For example, units in San Diego's Baltic Hotel (named for the second-cheapest property on the Monopoly board) lack full kitchens and separate baths and are more densely clustered than allowed in standard apartment construction.

Given the regulatory climate in most cities, it is not wholly illogical to focus, as Hoch and Slayton do, on preserving that SRO housing which remains. It seems appropriate, however, to ask whether a more general deregulation could be effected, such that large numbers of SRO hotels could be built and maintained. Preservation, although desirable, does not seem likely to restore the kind of vital SRO market which Hoch and Slayton have brought to life in description. The authors define the problem of the homeless, historically and today, as "an inability to command resources necessary to purchase shelter in the marketplace" (NHO 81). The question they do not fully explore is whether that is an inherent failure of the marketplace, a failure of the marketplace as it has been adjusted by the reforms meant to improve it, or an income problem—i.e. the inevitable concomitant of the existence of people with no income at all and thus no power to enter the market for one of the necessities of life.

Homelessness and the Call for Intervention

The loss of private SRO housing is also among the answers James Wright advances to the question he believes holds the key to understanding homelessness: "Where has all the low-income housing gone?" Wright cites a General Accounting Office estimate of one million SRO units lost during the 1970s. "The bottom line," writes Wright, "is that between the late 1970s and the early 1980s, the urban poverty population increased sharply while the supply of low-income housing dwindled just as sharply. At virtually the same time, the visibility of the homelessness problem certainly increased"(AU 42). Wright, however, is quick to turn away from the loss of SRO housing to trends which more readily lend themselves to significant public-sector intervention in the housing marketplace. Arson and building abandonment—which, Wright implies, result only from owners seeking quick and illicit profits—must be considered indirect causes of homelessness because of their effect on the low-income housing stock. Similarly, gentrifiction—the rehabilitation of city buildings for a nascent upper middle class—is a major suspect. Thus, Wright implies, market forces, both licit and illicit, have resulted in the poor being outbid for the supply of low-income housing—at the same time welfare payments have lagged behind inflation and the construction of subsidized housing has slowed. Thus, he concludes, the homelessness problem can

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only be addressed through major new government initiatives—either a new housing construction program (which Wright regards as politically unattainable), or else "rent insurance" to deal with the short-term lack of funds which Wright views as the proximate cause of much homelessness.

According to Wright, the large-scale abandonment of rental housing by its owners proves that the market will not serve the poor. This is certainly possible, although it's worth noting that advocates of government-supported housing have traditionally made exaggerated claims along this line. (Catherine Bauer asserted in 1934 that the private market could never provide for anyone not in the top third in income.)[7] It is true, however, that large older buildings require a level of upkeep and fuel which rent rolls may not be able to support, despite the demand for single-person housing. Still, other hypotheses are even more plausible than market failure. Housing analysts have traditionally viewed abandonment as a sign of housing surplus. This suggests that housing being abandoned is not the type desired by the population at risk for homelessness, with its preponderance of single individuals. Housing units are not indistinguishable; large old apartment buildings are not the same as the SRO units that were well-suited to the very poor single person. Perhaps apartment buildings could have been adapted for SRO-type use—were it not for codes, lead paint laws and other well-intentioned standards. As for gentrification, Wright offers no hard numbers to link this relatively modest trend to homelessness—except to say that all but one of the ten largest cities gained population between 1980 and 1984. He assumes that this implies a steady state of housing supply and a consequent displacement of those who have become homeless. But where did this population gain occur? Was it concentrated in formerly low-income neighborhoods? To what extent did gentrification result in the rehabilitation of formerly abandoned units—rather than the displacement of low-income families?

In short, Wright is more inclined to look first at the homeless poor as victims of an effective conspiracy of the wealthy than to see homelessness as a specific housing-market problem in which a variety of factors may be at work other than absolute market failure. His proposed solutions reflect this outlook. It is difficult, for instance, to imagine the national program of rent "insurance" he proposes to be a solution to homelessness. It is true that one-time cash advances could help temporarily unemployed heads of families hang on to their homes. (This is, of course, the intent of unemployment compensation, a traditional social insurance program.) But if homelessness is caused by a lack of SRO-type units, and new construction of such is nigh impossible, the "insurance" may only increase the level of bidding for existing units. Wright effectively acknowledges this likelihood in discussing the failure, in his view, of Section 8 cash housing subsidies to

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induce the private market to increase the supply of available low-income housing. "Additional housing subsidies for the poor will be largely pointless," he writes, "unless the actual supply of affordable units is increased" (AU 146). Wright takes the failure of a market constrained by zoning and building codes as proof that the private market can never respond to the needs of the poor. "The basic housing problem is a simple one: there is much more money to be made in supplying housing to the affluent than to the poor" (AU 146). This assertion represents an evolution from the traditional reformers' view of private landlords as blackhearted misers who grew rich by soaking the poor.[8] It also, ironically, provides logical support for bank disinvestment in poor neighborhoods, of which Wright is sharply critical. But is it accurate? The developer of the Baltic SRO hotel in San Diego has said, for instance, that he got into the business—once code waivers (coupled with public contributions of land and a reduced-interest loan) made it possible—after looking at the books of owners of older SROs and seeing how well they did financially.[9]

Wright assumes, however, that new SROs, or renovated older ones, would require federal subsidies. He offers an idea for subsidized rooming and boarding houses in which tenants would pay rent based on income, or perhaps trade labor for occupancy. Wright assserts that "there may be some alternative in this matter (increasing low-income housing supply) to a renewed federal commitment to construction of low-income units, but frankly, I fail to see what it might be" (AU 146). It is hard to understand why Wright's imagination is so limited given Hoch and Slayton's descriptions of the effectiveness of unsubsidized SROs for single people, and the history of problems with the maintenance and social structure of federally subsidized family housing projects—unless one takes all such failures to be failures of will (i.e., the body politic is never generous or compassionate enough) rather than of concept.

In treating the present-day housing market as if it were effectively unconstrained, Wright fails to confront the ways in which building and zoning codes discourage construction of various forms of low- and moderate-income housing, whether SRO hotels or two-family houses. Wright explicitly disdains private rehabilitation of low-income housing on the assumption that renovation of a single apartment in New York City costs—and must cost—"on the order of $50,000 to $60,000—this, mind you, not to create elegant apartments but just to bring an existing abandoned unit up to the minimum building standards" (AU xvii). Perhaps this is why the buildings were abandoned in the first place. But must it always hold true? A Baltimore program undertaken by a group called City Homes, a non-profit spinoff of the Rouse development firm, has begun a program to prevent housing abandonment by winning city and

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state approval for "minimal" rehabilitation—spending $15,000 or less to make units habitable in ways acceptable to tenants but not up to all code requirements.[10]

There are larger questions here: are there housing forms so offensive or unsafe that their construction must not be permitted at all? Have our standards of regulation robbed those of modest means of choices they would prefer and which are objectively preferable to the streets, public shelters or public housing? These are questions which American liberalism has chosen to avoid, in favor of a presumption that government-subsidized construction could provide a steady supply of housing that meets middle-class standards (limits on the numbers of persons per bedroom, full kitchens, private baths, minimum floor and window space for each resident). Meanwhile, the public has soured on public housing, because of its performance, while building standards and zoning restrictions have hamstrung the private market. As Nathan Glazer has written: "Building, housing and health codes and zoning regulations, of course, still perform their original functions: preventing the building of inadequate and unsafe houses, assuring light and air to streets and rooms, preventing unpleasant intrusion of commercial and industrial facilities in residential areas. However, in each case, there seems to have been a shift in emphasis . . . from concern with the worst dwellings and the poorest living conditions to protection of a higher norm."[11]

Homelessness and Rent Control

William Tucker sets out to explore the path from which Hoch and Slayton shrink and which Wright actively disdains: government withdrawal from the housing market. "Regulation of the housing market is primarily responsible for homelessness—at least that portion which can be attributed to housing shortages and affordability. . . . Deregulation of the housing market is the solution. The American housing industry is an awesomely powerful engine capable of providing enough housing for everyone. The problem is that the majority has kept this housing from being built" (EA 341).

Like Wright, it is Tucker's thesis that homelessness is the symptom not only of the loss of specific very low-rent housing units—e.g. SRO hotels—but of problems with the market as a whole. Like Wright, his interest appears to extend far beyond the homeless, although he is content to appropriate them as a convenient symbol. His argument is general, however. Exclusion of new tenants and/or homeowners at all levels of government, whether through growth controls, zoning controls or rent controls, makes it impossible for the market to respond to need. He pro-

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vides an historical summary of the evolution of housing reform into exclusionary zoning and notes the inhibiting effect on housing "filtering"—the re-use of older homes by the poor—when new structures are not available for the upwardly mobile.

There is a common-sense element to Tucker's view, an element he seeks to transcend in favor of rigorous demonstration only when he argues that rent controls correlate disproportionately with the magnitude of homelessness. Tucker's methodology here is likely to invite some skepticism, however, even among those who have no love for rent control. In seeking to determine whether a statistical correlation exists between the presence of rent control and homelessness, Tucker analyzes forty markets, thirty-four of which were sampled by the Department of Housing and Urban Development. He eliminates six smaller cities in the HUD sample and adds six others which practice rent control, preliminary to concluding that a strong correlation does exist between rent control policies and homelessness. Tucker is assuming, though, that the municipalities are in other ways comparable—as regards building codes and zoning, for instance. Moreover, his approach may miss other special local factors. Santa Monica, California does, indeed, have strong local rent control. It also has a beach which attracts the homeless and a local policy to provide them dinners. Finally, the presence of significant numbers of the homeless in non–rent controlled cities, even if in smaller magnitude, suggests that rent control is not a primary problem. Rent control may play some role in homelessness but it is not clear that, absent its specific market distortions alone, there would be no homelessness at all.

The Need for and Barriers to Regulatory Change

One can understand Tucker's barely concealed rage over policies such as rent control, however. The hypocrisy of a policy couched in the language of compassion for the poor which not only fails to provide for them—or for very many of them, given its effects on housing supply—but which causes massive problems for everyone but current tenants of excellent housing invites anger. It seems insufficient, however, for a devotee of a free housing market to focus so much of his criticism on liberal hypocrisy as regards rent control, or even on the troubles of failed experiments such as public housing. As Tucker makes clear early in his book but does not emphasize as his rent control discussion takes shape, American cities are strangled by exclusionary nooses which have made the single-family house the norm in new-growth areas. As Glazer puts it,

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> On the local level, we find zoning regulations, building codes and health codes. All of these, in their origins in the early twentieth century, were designed to protect the low income, immigrant and working-class population from frightful housing conditions. . . . Paradoxically, all these mechanisms of housing policy soon outgrew their origins; and, as they spread to all the cities and many of the towns of the country, in their expansion they became adapted to the housing conditions and housing desires of the greater part of the population—that is, they became policies for protecting the single-family home.[12]

Just as liberals facing homelessness are loath to acknowledge that "substandard" (i.e. less than equal) housing might help deal with the problem, conservatives are reluctant to admit that a vast restraint of trade, conducted by local governments empowered by the federalist system, has skewed the housing market—to the point that it is not wholly illogical to resort to public housing or even rent control, in light of constraints on supply. The picture of homelessness that emerges from studies like these, then, is rather different from both the liberal view that the problem is one of insufficient compassion or an unwillingness to act upon compassion through state intervention, and the conservative view that a community may protect its way of life by prohibiting the residence of those who would allegedly disturb it—and should then deal with the poor through charity or the welfare state. On the contrary, homelessness may be a paradigm case not only of the inadequacy of traditional understandings of the role of government, but of how these understandings may themselves be the sources of the very problems they are supposed to address.

There seems little doubt that were the regulatory climate to permit it, some of those living in shelters or even streetcorners could afford, or come closer to affording, the variety of housing forms which might be provided. Not all of the homeless, after all, are entirely without income; some shelter residents regularly report for work. Without knowing how a less fettered private housing market might provide for those of the most modest means, it is difficult to know the magnitude of the need it could, by definition, never meet—i.e., the number of people excluded from *any* private housing because they lack any income at all. Moving toward a less regulated market would allow us better to know to what extent we should provide shelter, transfer payments, vouchers or construction subsidies in order to house those without other means to obtain housing, or to house those who, while working, still face a gap between their earnings and the cheapest housing the market could provide. It might well be that those still at risk of being homeless, in a less regulated market, are predominantly those unable to work by virtue of alcoholism, mental illness and such. The public would then have to confront the need for some form of

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institutionalization or other shelter and care system for them. Meanwhile, we would face a thorny philosophical choice regarding those homeless who were able to work. Providing publicly supported shelters for them, while others with modest incomes were directed toward private accommodations, would risk devaluing work, especially if public shelters were to offer amenities which the low end of the market did not.

Such considerations can lead to the conclusion that all housing regulation should be eliminated. This is a difficult position to embrace for other reasons, however. There would seem to be clear safety-related reasons for regulation of the housing market, based in the economic concept of "search costs." As with physician licensing, it may well be possible for the market to signal, through trial-and-error decisions of a multitide of individual consumers, which builders use safe procedures and which do not. But the cost to the individual of conducting such a search can be prohibitive, and the search itself can be dangerous.[13]

In accepting the need for minimal regulation, one can posit a distinction between safety regulations (minimal and necessary) and amenity regulations (exclusionary and unnecessary). One still faces the problem of definition, however. Housing "reformers" who worked successfully during the 1910s and 1920s to ban the New England three-decker house—despite the fact that it was very much in demand—never failed to advance safety as their chief concern, notwithstanding the anti-immigrant bias which motivated them as well. As Glazer notes, the presence of any regulatory framework opens the door to exclusion. And yet some regulation seems necessary, especially as regards rental housing. The insurance market and builder warranties might provide adequate signalling mechanisms, but this is by no means certain.

One can hope that a change in the assumptions underlying regulation might work to ensure that constraints will remain minimal. Certainly there are good reasons to change those assumptions. Historically, the belief of housing reformers that there must be public intervention in the housing marketplace has stemmed from an overly bleak view of the effects of the free market on the lives of average citizens. "Substandard" housing, in this view, is all that can be expected in the free market for what Catherine Bauer, a leading voice for government intervention in the 1930s, described as "a large class condemned to live in perpetuity at a bare subsistence level" and "workers in a state of helpless slavery."[14] She also thought it likely that the best new housing in the world would be built in the Soviet Union. Now that we have historical evidence that, over time, the market improves the conditions of the population at large—and that attempts to command the market in the name of equity will have just the opposite effect—the question arises as to the extent to which we are will-

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ing to accept inequality. We have unhesitatingly accepted the view that inequality, especially in areas judged to be particularly signficant such as housing, is proof of fundamental flaws in the unregulated economic system. We must grapple, however, with another view: that inequality, like the wind driving weather fronts, is a force that provokes change and growth, and that the existence of goods and services of divergent qualities is one of the manifestations of a society providing for the widest possible range of needs.

NOTES

1. Henry J. Aaron, *Shelter and Subsidy: Who Benefits from Federal Housing Policies?* (Washington, D.C.: Brookings Institution, 1972), 2. Aaron, in making the case that federal construction subsidies should be replaced with more direct forms of aid (i.e. an incomes approach), identifies six areas of housing market intervention on the federal level: tax treatment, mortgage insurance and guarantees, federal credit institutions, public housing, housing assistance programs and rural home loans.
2. Herbert Gans, *The Urban Villagers* (New York: The Free Press, 1962), 13. Writes Gans: "The apartments did, of course, have a number of faults. The buildings were old and not easy to keep clean. Windows leaked and the plumbing had its quirks. . . . No one liked these faults and almost everybody wanted a modern apartment that lacked these disadvantages. However, people were happy with the low rents they were charged in the West End; modernity is not much of an advantage when it depletes the family budget."
3. George Sternlieb, *The Tenement Landlord* (New Brunswick, N.J.: Rutgers, The State University, William Byrd Press, Inc., 1966), 173. "In the midst of [very dilapidated parcels] are some which are, by any standards, very well-maintained, indeed. Who owns them? The patterns again are diffuse. Not infrequently they are owned by resident landlords, who see their tenements as a pathway to wealth accumulation and ultimately better living conditions."
4. For a good fictional account of the potential social implications of boarding-house and rooming-house life, see Theodore Dreiser, *An American Tragedy* (New York: Boni and Liverwright, 1925).
5. Frances Fox Piven and Richard A. Cloward, *Regulating the Poor* (New York: Random House, 1971), 32.
6. The San Diego program has inspired similar efforts in Atlanta and Berkeley. In addition, it has become the basis for an initiative undertaken by the federal Department of Housing and Urban Development. The Department is not adopting a strict market approach, however, proposing,

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instead, to provide up to $100 million in mortgage guarantees for SRO developers.

7. Catherine Bauer, *Modern Housing* (New York: Houghton Mifflin, 1934), 134. "Dr. Wood and several other authorities have found that in America almost no new housing is built for any but the upper-third income group."
8. Housing reformer Bauer asserts that "slums [are] the most profitable branch of real estate" (33).
9. See Andrew Jack and David Kennedy, "Building the Baltic," Harvard University Kennedy School of Government Case Program C16-898-928.
10. See Ingrid Boyum, "City Homes in Baltimore: Minimal Rehab to Combat Abandonment," Harvard University Kennedy School of Government Case Program C16-90-1011.
11. Nathan Glazer, "The Bias of American Housing Policy," in *Housing Urban America*, ed. Jon Pynoos, Robert Schafer, and Chester Hartman (Chicago: Aldine, 1973), 407.
12. *Ibid.*, 406.
13. The author is indebted to Marc Roberts for bringing this concept to his attention in this context.
14. Bauer, *Modern Housing*, 38.

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Stephen Davies

EDWIN CHADWICK AND THE GENESIS OF THE ENGLISH WELFARE STATE

The early to middle nineteenth century saw a radical change in the nature of the British state, with many activities becoming the responsibility of public authorities. A key figure in this process was the journalist Edwin Chadwick. Anthony Brundage's new biography, England's Prussian Minister, *gives a clear and arresting picture of the political processes which led to this growth and of Chadwick's role. However, his account is limited because of his acceptance of the necessity for government growth, which recent research shows to be problematic.*

History, like other disciplines, has its own peculiar ways of arranging its affairs. One of the most significant is the organizing of research and argument around "theses" and the formal debates and controversies which they engender. This has the advantage of producing an integrated literature and

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research program in which scholars and students address the issues raised by their colleagues through thesis, rebuttal and counter-rebuttal. Sometimes this even produces a consensus on a previously understudied or controversial area of history. However it also has drawbacks, since the terms of the debate can limit the approaches taken by researchers and the issues raised. One case in point is the well-known argument over the extent or existence of laissez faire in nineteenth-century Britain and the reasons for the growth of the state at that time.[1] Starting with Brebner's article in 1948, which controverted Dicey's classic picture of the early nineteenth century as an age of general laissez faire, this debate filled the journals for some twenty years and led to a clear growth in our understanding of the changing nature of the nineteenth-century English state.

The debate is now moribund, largely because a consensus did indeed emerge, one with two main elements: that the period 1830–1860 saw a radical change in the nature of the British state, and that in this process a key role was played by the disciples of Bentham.[2] However, the participants in the debate all made certain assumptions which limited the scope of inquiry. In particular they took for granted the *need* for an expansion of state action and regulation after 1830; argument centered on the extent of this expansion and the importance of various participants.

What no one can deny is the great increase in the scope of state action at this time. Between 1830 and about 1860, national and local government became responsible for a wide range of activities and services which had previously been supplied through private or voluntary action, including sanitation, fire protection and policing. The state also came increasingly to regulate and limit markets and contracts through such measures as the Factory Acts and the Ten Hours Act. Moreover, the very nature of the state can be seen in retrospect to have undergone a profound transformation. The British state of 1815 described by Halévy was a typical polity of the ancien régime, but by 1860 it had become in most respects a modern administrative state. That this may have happened, as Roberts has argued, in a haphazard and ad hoc fashion makes it no less profound a change.

The Role of Edwin Chadwick

One central figure in any account of nineteenth-century British history, but especially in this debate, is Edwin Chadwick. A barrister and journalist of modest origins, he played a crucial part in three of the most important areas of state reform: the transformation of the Poor Law in 1834, the creation of a public police force in the counties and boroughs, and the

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reform of sanitary provision in the towns and cities via a sharp move to municipal supply of water and sewerage facilities. A major participant in the public debate on these and other issues, he was at least partly responsible for three of the most influential reports ever laid before the British Parliament: the Poor Law Report of 1834, the Constabulary Report of 1839 and the Report on "The Sanitary Condition of the Labouring Classes" in 1842.[3] Despite their being part of an often heated debate, these reports have been treated until recently with great deference by historians, who have read them not as polemics but as neutral descriptions. The picture given by Chadwick has been taken at face value.

One reason for this is the tremendous standing of the classic life of Chadwick, the work of S.E. Finer. This monumental work, a major contribution to the debate mentioned earlier, established the conventional picture of Chadwick and his achievements.[4] Essentially, this view held that the early nineteenth century saw Britain confronted by vast and acute social problems arising from unregulated industrialization; that the old-style state was both too active in harmful ways and insufficiently able to discharge its proper responsibilities; and that Chadwick was the practical genius who presented both an accurate, unsentimental diagnosis of the problem and sensible, realistic measures for dealing with it. Recently this rosy picture has come in for reassessment, most notably as regards the actual process of political change and the character and motives of Chadwick himself. Anthony Brundage's *England's Prussian Minister: Edwin Chadwick and the Politics of Government Growth, 1832–1854* (University Park: Pennsylvania State University Press, 1988) is an important contribution to this process. Brundage declares himself at the outset to be a revisionist (4,6) and is intent on presenting both Chadwick and the process of government growth in a new light, one which underscores the political processes involved and the often self-interested motives of the participants. Whether he fully succeeds is another matter.

The approach Brundage takes is similar to that followed in his earlier, well-known work on the introduction of the New Poor Law, and many of the same themes emerge.[5] There is the same concern with the details of political maneuvers and influence, the stress on the importance for many social questions of rural (as opposed to urban) problems and an emphasis on the paramount importance of the issue of centralization versus local autonomy in determining the form and nature of government growth. This book can be seen in fact as a supplement to the earlier, more detailed text. There are introductory and concluding chapters that cover Chadwick's early career and his activities after his final political defeat in 1854, but the meat of the book consists of seven tightly written and focused chapters which concentrate on the three major areas

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of public policy in which Chadwick was involved: Poor Law reform, policing and public health. There are also excursions into other interests of Chadwick's, notably the reform of burial arrangements and administrative reform. The organization is chronological but with a natural division by subject as well. In each area Brundage's account follows the same pattern. First there is a description of Chadwick's ideas and writings on the subject, followed by a narrative of his initial involvement in the process of government investigation and his often frantic attempts to ensure that this led to proposals that were close to his own ideas. Then follows the story of the controversy which attended the publication of Chadwick's favored remedies and their progress through the political machine. This, as Brundage shows, often led to amendment—to Chadwick's extreme exasperation in many cases. The third stage is the attempt by Chadwick to create some central administrative body, with himself in a prominent position on it, to effect the reforms, followed by his final disappointment.

Brundage seeks first to give a picture of Chadwick's character and motives. In this he succeeds admirably; his subject's complex and driven, almost driven personality comes across starkly. For Brundage, Chadwick was a man constantly aware of his humble origins, anxious for social and political recognition and financial stability (163–4). His fundamental insecurity, surprising in one so able and determined, made him in many ways an unattractive character, driven in his work and habits, single-minded and relentless, combative and vindictive, sensitive to slights and intensely jealous of any apparent challenge to his position, even from his old colleague Southwood Smith (131–2). Brundage makes the point that Chadwick's very intensity and deviousness was often self-defeating: many of his contemporaries, while admiring his talents and industry, found his personality highly rebarbative.

However, even though Brundage emphasizes Chadwick's political defeats and disappointments at the Poor Law Commission, the Board of Health and elsewhere, the fact remains that his success and impact on the process of government growth was remarkable. Partly this reflected his talents, particularly his formidable ability as a journalist. Several times Brundage mentions Chadwick's great skill in presenting apparently dry subjects in a manner that was both interesting and highly polemical, mainly through the use of vivid anecdotes and concrete examples (35–6, 83–5, 73). These served both to exemplify his theoretical diagnosis and to lead the reader to be more receptive to Chadwick's prescription. He was a propagandist of genius. Yet literary skills alone cannot explain the impact of the reports with which Chadwick was associated, nor their legislative and political consequences.

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Chadwick and English Laissez Faire

Brundage's second intention, therefore, is to contribute to the moribund debate mentioned earlier by examining the relationship between ideas and politics, between the notions of politicized intellectuals such as Chadwick and his Benthamite colleagues on the one hand and practical politicians such as Lord John Russell on the other. What is more important in shaping and determining major political changes such as the nineteenth-century growth of the state: ideas or interests? Did the British state grow because of an ideological triumph of Benthamite utilitarianism? Or was that growth the product of more mundane political concerns and only marginally influenced by the men of ideas? This is the heart of the book. Brundage seeks to demonstrate how certain policy prescriptions put forward by the Benthamites came to be adopted by the political elite and enacted, while also showing how the demands of practical politics ensured that they were not implemented in their pure form.

Brundage, like most historians, follows Halévy in contending that Chadwick and the other Benthamites essentially wanted a state that was demystified, or in Weberian terms, rationalized: organized not on the basis of tradition and sentiment but as the embodiment of abstract principles of efficiency and order, the latter being almost identified with tidiness. Scientific and engineering principles were to be applied to concrete social problems. The state was to be both smaller and stronger than that of the ancien régime. It would have a more precise and clearly defined purpose and would be limited to performing that function. However, in that area it would have greater and more effective powers than those at the disposal of the old order. This would mean a marked increase in the power of central government in order to bypass local institutions, such as parishes and vestries, and the resistance they inspired. The state should be run by, and depend upon, a class of disinterested experts—people like Chadwick, as it happened. Its role was to be "tutelary."

This scientific state had to provide the neccessary framework for a market-based economy and society. That is, it had to provide a wide range of goods without which the urban, manufacturing, market-led economy could not function. It was assumed that these were "public goods," services that could not be provided by voluntary or private action. Moreover, the state had to guide and enable those not yet ready for the responsibility of freedom. This meant the mass of the population but particularly the poor. "O Lord make the people free but not just yet" sums up this view quite concisely.[6]

Why was this agenda as successful as it was? Brundage tends to assume that its success was in some sense inevitable, or at least that a move to a

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Weberian state was. He is interested in discovering why the Benthamites, such as Chadwick, were especially successful in having their agenda adopted, albeit within limits. In this connection he makes two points.

In the first place, Chadwick's distinctive contribution was to turn the dry and abstract doctrine set out above into concrete proposals which could be of use to politicians facing actual problems. Thus his response to the acute political dilemmas of poor relief in the early 1830s was to produce not another abstract Malthusian tract, but rather a worked-out plan for systematic reform. This combined principles such as "less eligibility" (i.e. that the condition of someone on poor relief should always be worse than that of the lowest-paid worker) with practical measures to give them effect, such as the abolition of all relief outside the institution of the workhouse for the able-bodied. Most of all it contained a detailed plan for reconstructing the administration of poor relief, with a move away from the parish to larger units.

Chadwick was an early example of an important modern phenomenon, the "ideological entrepreneur" who promotes ideas to politicians in the form of discrete solutions to pressing problems and arguments with which to sell them. The comparison with modern "think tanks" such as the Heritage Foundation or Adam Smith Institute is irresistible. Chadwick emerges in this account and others as a one-man think tank, albeit with support from collaborators such as Southwood Smith. He had a program which he sought to sell by taking advantage of short-term political crises: by capturing the mechanism of public inquiry, he could ensure that his solution was the one adopted by the authorities.

Brundage also emphasizes, however, that the politicians were using Chadwick just as much as he used them. His underlying argument is that the politicians had already decided to act in most cases and that they were intent on moving in the kind of direction Chadwick desired anyway. One passage cited by Brundage brings this out very clearly. After showing that in 1836 Lord John Russell, then Home Secretary, had already decided to reform the rural police before Chadwick wrote him to suggest a royal commission on the subject, he quotes from a letter written by Russell to Chadwick in October of that year:

> I wish your paper could be made less controversial, as there is matter enough without making it so. There is one thing always to be kept in mind. We are endeavouring to improve our institutions. Hitherto they have been loose, careless, wasteful, injudicious to an extreme, but the country governed itself, and was blind to its own faults. We are busy in introducing system, method, science, economy, regularity and discipline. But we must beware not to lose the cooperation of the country. They will not bear a Prussian minister, to

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> regulate their domestic affairs, so that some faults must be indulged for the sake of carrying improvements in the mass. (61)

Evidently politicians like Russell and his Tory counterpart Peel shared the same goals as people like Chadwick. In all the areas he examines, Brundage argues that the government already had notions of its own, often well worked out, before Chadwick and his cohorts arrived on the scene (23–4, 59–60). For the politicians Chadwick served several purposes. His great industry made him the ideal choice to accumulate facts, while his polemical skills ensured this material would be presented in a politically effective manner. His inventiveness in the area of administrative structure was also very useful. At a more Machiavellian level, the extreme and thoroughgoing nature of his proposals meant that a government amendment could be represented as a modest reform when in fact it constituted a major change. Opponents of change would be so appalled by Chadwick's suggestions and relieved by their withdrawal that they would let pass less sweeping but still far-reaching reforms that, had they been presented tout court, they would have rejected out of hand. Moreover, when Chadwick was given administrative office his great personal unpopularity meant that he could attract all the critical brickbats and leave his political masters unscathed (43,87).

The quoted passage also illustrates the gap between the political sensitivities of a practicing politician and the naïveté in this regard of a doctinaire such as Chadwick. One of the book's main emphases is on the way Chadwick's proposals were watered down so that his full agenda was never adopted or enacted. Brundage especially shows how Chadwick's centralist notions were overcome by the strong emphasis on local autonomy which was such a marked feature of Victorian politics. Thus the national Poor Law Commission set up in 1834 was abolished in 1842 after Parliament had refused to renew it permanently in 1839. This left effective control of the new Poor Law in the hands of local Guardians who soon moved away from the strict principles of 1834 and reintroduced the widespread practice of outdoor relief. Even more dramatic was the case of the General Board of Health, also abolished after only five years and after a strong, even vehement campaign by Chadwick's enemies. Here the various public health functions given to the Board of Health in 1848 were divided up among several other bodies.

Brundage attempts both to present a new view of Chadwick as an individual and to explore, through an account of his career, the actual way that the politics of government growth worked. His conclusions are that government growth happened in an unsystematic fashion, being driven mainly by the concrete and immediate concerns of the political elite. It is assumed that the elite had little alternative but to respond to the situation

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they faced as they did. The role of campaigners and activists such as Chadwick was important insofar as they contributed particular ideas to the process, but was limited because of the reaction their proposals provoked, leading, in Brundage's view, to a loss of impetus in state reform after 1854.[7] In some ways Chadwick's role was counterproductive. Brundage makes a comparison with the Fabians, whom he sees, correctly, as Chadwick's heirs, contrasting their supposed flexibility and deference to public opinion with Chadwick's rigidity and elitism (171). (This is surely too unkind to Chadwick and far too generous to the Fabians.)

How far, though, is this a major contribution to the debate on government growth? The answer must be that it is an important start, but no more. Brundage has chosen, as he explicitly states, to focus on high politics and the political elite. This is reasonable enough, given the limitations of time. The consequence however is to give the work a narrow focus. The backdrop to Chadwick's career—i.e., the actual conditions his reforms were designed to address—are not examined, but are instead assumed to follow a well-known pattern. There is no attempt to discover what people in Britain were actually doing in the early nineteenth century to meet those needs that Chadwick urged the state to supply. Instead the picture given by such sources as Chadwick's reports, and repeated in most of the secondary literature, is accepted uncritically. The political maneuvers themselves are studied in detail but the context of this politics is scrutinized hardly at all. Although revisionist, Brundage does not revise enough because of his inattention to the assumptions lying at the heart of the debate in which he is the latest participant.

Toward a Revised Revisionism

The most important of these assumptions is that there was indeed large-scale market failure, making state action of some kind inevitable. Not only have scholars lavished attention on such records as the Blue Books, government enquiry reports and the writings of figures like Chadwick; they have virtually ignored the records of commercial and voluntary enterprises devoted to addressing social ills, and the writings of the opponents of state growth, such as Toulmin Smith and Harriet Martineau.[8] Another important assumption is that the ideological divide of the early nineteenth century was between reformers and defenders of the status quo, with the main issue that of centralization versus local autonomy. Brundage does question one common gloss to this assumption—that the reformers were public-spirited while their opponents were motivated by narrow self-interest—but he retains the reform-versus-status quo framework. A third assumption which has come under fire of late but which Brundage follows

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Finer in accepting, is that the reforms of 1830–1850 were severely limited by opposition and that there was, if anything, a recession in the growth of government after 1854. This assumption is closely related to the second one, since it identifies the growth of the state with that of the central government. There is as well a tendency to compare the mid-Victorian central government with its much larger modern successor, rather than with its earlier incarnation under the ancien régime.

The reforms of 1830–1850 may seem limited when regarded from the vantage point of the late twentieth-century welfare state, but that is to wrongly minimize the extent of the changes of those years. The key point is that the two decades in question saw not just a quantitative growth in the size of government but a qualitative change in its nature. The modern state which emerged may have been small compared to today's but it had both a capacity for and an underlying dynamic of expansion which were previously absent. The massive quantitative growth of the twentieth century was only possible because of the earlier qualitative transformation. In failing to consider this both Brundage and Finer are too severe on Chadwick, playing down the extent of his achievement and blaming his lack of political skill and defects of character for the perceived check to government growth after 1850. The fact that Chadwick himself was a frustrated and disappointed man in later life reflects his own excessive ambition rather than an accurate picture of his work.

The Assumption of Market Failure

Furthermore, it is not clear that the assumed market failure actually existed or was as widespread and serious as is (and was) thought. Nor is it clear that any improvement in conditions which took place was due to public provision, rather than being the consequence of economic growth and capital accumulation. In a society where expectations of state action were limited and where the culture placed great emphasis on personal responsibility, the standard reaction to social problems was voluntary action and cooperation. This was made easier, rather than hindered, by economic growth and industrialization: as more capital was available, so cooperation for the supply of public goods became easier. In Victorian England such action drew on the long-standing tradition of religious voluntarism, as embodied in the Nonconformist notion of the "gathered church," which viewed the church (and by extension society) as a free association of cooperating but autonomous individuals. Consequently there was a history in England, dating back to the seventeenth century, of supplying goods and services through means which were neither profit-motivated nor based on state action and taxation.

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Indeed, voluntary action was so natural to Victorian England that there was even widespread provision of non-governmental "police" services through voluntary action, particularly by Associations for the Prosecution of Felons—so much so that the majority of respondents to the 1839 constabulary report declared that they saw no need for a statutory police force (a fact suppressed by Chadwick when the Report was drawn up).[10] Perhaps better remembered is the extensive provision of "infrastructure" by private action, with turnpike trusts transforming the quality of English roads by the 1840s and large-scale urban development, including the supply of services such as sanitation, provided by private developers and landlords.[11] The problems of sanitation highlighted by the 1842 Report were found primarily in the old, pre-industrial town centers rather than in the newer developments. Even here voluntary bodies such as the Manchester and District Board of Health set up by Thomas Percival in 1796 were able to make major improvements. Indeed, the 1842 Report itself has now come in for critical examination, with recent research revealing how its agenda and information-gathering was manipulated by Chadwick and Southwood Smith to produce a prescribed result (126-7).[12] Other examples of non-state supply of supposed public goods can be found in such areas as education, public health, fire protection and even lighthouses.[13]

In reality, then, voluntary action was lively, widespread and often successful. Even where it met with problems, private action was usually at least as effective as the state alternative which replaced it. The decentralized local improvements offered by the mixed public/private bodies set up by local Improvement Acts were also often highly successful, as recent work has shown.[14] All of this contradicts both the standard assumptions of many historians and the normative theories of the economists. Contrary to what the latter would lead us to expect, free-rider problems in the provision of public goods were often surmounted in the early nineteenth century (as they have been subsequently, as well).[15] In other words, the growth of public provision and the transformation of the state, while they may have been largely ad hoc and unplanned, were not unproblematic and unquestionably necessary.

The Nineteenth-Century Debate

Given this reality, it is not surprising that the debate between Chadwick and other reformers and their critics is fundamentally misrepresented by the literature. Brundage himself provides evidence that the debate was more wide-ranging than he is willing to concede. He cites passages from both Toulmin Smith and *The Economist* demonstrating that centralism versus localism was only one part of a debate best described as being between

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voluntaristic and prescriptive forms of social and political organization (142,153,155). Because this debate was often conducted in the context and vocabulary of arguments about ecclesiastical organization (as one of the cited passages shows), it has often been overlooked or misunderstood by modern historians, who fail to realize how far the discourse of nineteenth-century political argument was a moral and religious one. What appear to us to be dry arguments about the nature of ecclesiastical authority and church establishment were seen then as having wide implications. Organizations such as the Liberation Society, formed to campaign for church disestablishment, were committed to a more general application of voluntarist principles. Arguments about church government articulated more general concerns about the appropriate means of social action.

Nor were the opponents of Chadwick and the other reformers all stand-pat defenders of the status quo. Many were radicals who sought sweeping changes in the political and social order. Figures such as Toulmin Smith and Hodgskin wished to reform society quite as much as the Benthamites, but they sought to move in a different direction. What we have here is not a simple debate between conservatives and reformers but rather one between several different varieties of reform.

Brundage's book is invaluable in providing a clear account of *how* the political process of government growth occurred. What it does not do is explain *why* the process happened as and when it did. Space precludes a complete analysis or account of this matter, but one can make some suggestions. Harold Perkin has provided the basis of an explanation grounded in the class interests of various social groups. One such were the professional classes which supplied many of the reformers and were arguably the main beneficiaries of the process of government growth.[16] Another point to emphasize would be the intense fear of disorder which came to possess many of the political and social elites during this period. A common perception of the poor as being a great, degraded, asocial mass needing much closer supervision and regulation played a central part not only in the reform of the Poor Law but in many other areas of social policy as well.

One could also indulge in some counter-factual speculation. From about 1750 Britain had experienced rapid population growth, economic development and urbanization. This had produced a wide range of ad hoc private, quasi-public, and voluntary bodies that met various social needs. After about 1825, deficiencies in meeting such needs began to be manifested in, e.g., increases in urban death rates following a long-term decline before that date.[17] Hence the debates of the 1830s and 1840s, in which some argued that what was needed was to move even further in the direction of freedom of contract and private provision, while others

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pushed successfully for a reform of the state and an active social policy. Had the argument gone the other way what would have happened? One possibility is that the public sphere would have shrunk to near extinction, even withered away. This was a prospect taken seriously by contemporaries: feared by many Whigs and Tories, and anticipated with relish by others, such as Cobden and Edward Baines, who both looked forward to the dissolution of states.[18] All this goes some way towards explaining why contemporaries, and especially the political elite, found the arguments of the philosophic radicals like Chadwick persuasive and useful. (It does not of course say anything about the truth or rationality of the arguments on either side.)

* * *

The role of Chadwick can be seen in retrospect to have been both limited and important. The limitations sprang not so much from his own unpleasant personality and lack of political skills as from the nature of politics at that time. Public-choice theory predicts that it will always be easier to rally support for resisting or limiting changes than for promoting them. The political decision-making process favors well-organized interest groups such as large landlords—a not inconsiderable political force in mid-Victorian Britain. Given this, we should not be surprised that Chadwick's plans were thwarted or amended out of recognition. We should rather be amazed at what he actually achieved by providing detailed proposals for politicians who had decided that "something must be done" without having more than a rough notion of what that something was. Through the Poor Law Amendment Act, the County and Borough Police Act and the public health legislation which he did so much to promote, Chadwick and others like him succeeded in creating the basis for a new kind of state and in establishing, as a principle of politics, that virtually every area of social life was the responsibility of the state. The consequences of this victory were ultimately far-reaching and can be seen all around us today; what is less often recognized is the hardening of what were once the contentious claims of ideologues into a conventional wisdom even historians have trouble escaping.

It is hardly fair, I realize, to single out Brundage for buying into a conventional wisdom that even revisionist historians have done nothing to revise. Nor has his acceptance of the orthodox view of the reality to which Victorian reformers were responding prevented Brundage from producing a fine analysis of Chadwick's impact. Rather, his work is symptomatic of the continued adherence of Victorian social and political historiography to the decades-old concern with whether the period exemplified laissez-faire principles—a debate which leaves unexamined many

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concerns of interest to our age, in which the efficacy and need for state intervention have come under greater scrutiny than they have attracted since Chadwick's revolutionary career.

NOTES

1. For a survey of this debate, see Ellen Frankel Paul, "Laissez Faire in Nineteenth-Century Britain: Fact Or Myth?" *Literature of Liberty* 3, no. 4 (Winter 1980): 7–38.
2. The best overview of the eighteenth-century British ancien régime is still Elie Halévy's classic *A History of the English People in the Nineteenth Century*, vol.1: *England in 1815* (New York: Routledge, 1987). This work first appeared in English in 1924. The most significant works in the debate are J.B. Brebner, "Laissez Faire and State Intervention in Nineteenth-Century Britain," *Journal of Economic History*, Supplement 8 (1948): 59–70; J. Hart, "Nineteenth-Century Social Reform: A Tory Interpretation of History," *Past and Present* no. 31 (July 1965): 39; Oliver McDonagh, "The Nineteenth-Century Revolution in Government: A Reappraisal," *Historical Journal* 1 (1958): 52–67; and D. Roberts, *Victorian Origins of the British Welfare State* (New Haven: Yale University Press, 1960).
3. British Parliamentary Papers 1834, XXVII, *Report from His Majesty's Commissioners for Inquiring into the Administration and Practical Operation of the Poor Laws*; 1839, XLVII, *Report of the Commissioners Appointed to Inquire As to the Best Means of Establishing an Efficient Constabulary Force in the Counties of England and Wales*; Edwin Chadwick, *The Sanitary Condition of the Labouring Population of Great Britain*, ed. M.W. Flinn (Edinburgh: Edinburgh University Press, 1965).
4. S.E. Finer, *The Life and Times of Sir Edwin Chadwick* (New York: Methuen, 1980 [1952]).
5. Anthony Brundage, *The Making of the New Poor Law: The Politics of Inquiry, Enactment and Implementation 1832–39* (London: Routledge, 1978).
6. For the Benthamites' notions of the nature of the state and its role, see Elie Halévy, *The Growth of Philosophic Radicalism* (London: Faber, 1972 [1924]) passim but esp. 403–33.
7. Finer, 501–3, also makes this point.
8. The best account of Toulmin Smith is in W.E.H. Greenleaf, *The British Political Tradition*, vol. 2: *The Ideological Inheritance* (London: Methuen, 1983), 269–70; vol. 3: *A Much Governed Nation* (London: Methuen, 1988), 18, 80–1, 32–6, and for localism versus centralism, 1–236.
9. E. Evans, *The Forging of the Modern State: Early Industrial Britain 1783–1870* (New York: Longmans, 1983).
10. On Prosecution Associations see A. Shubert, "Private Initiative in Law Enforcement: Associations for the Prosecution of Felons 1744–1856," in V.

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Bailey, ed. *Policing and Punishment in Nineteenth-Century Britain* (London: Croom Helm, 1981), and my own "Private Security and Public Order: Private Police in the Nineteenth-Century British City," in David Beito, ed., *The Voluntary City* (forthcoming). See also D. Philips, " 'Good men to associate and bad men to conspire': Associations for the prosecution of felons in England, 1760–1860," and P.J.R. King "Prosecution associations and their impact in Essex," both in D. Hay & F. Snyder, eds., *Policing and Prosecution in Britain* 1750–1850 (Oxford: Oxford University Press, 1989). For Chadwick's manipulation of the returns in the 1839 Report see L. Radzinowicz, *A History of English Criminal Law*, vol. 4 (London: Stevens, 1968), 259–60.

11. The standard work on turnpike trusts is W. Albert, *The Turnpike Road System in England 1663–1840* (Cambridge: Cambridge University Press, 1972). For one very interesting example of private urban development see M. Spiers, *Victoria Park Manchester: A Nineteenth-Century Suburb in Its Social and Administrative Context* (Manchester: Chetham Society, 1976).
12. G. Kearns, *Private Property and Public Health Reform in England 1830–70*, unpub. MS, Department of Geography, University of Liverpool. For Percival see R.B. Hope, *Thomas Percival: A Medical Pioneer and Social Reformer, 1740–1804* (M.A. thesis, Manchester University, 1947).
13. On education see E.G. West, *Education and the State* (London: Institute of Economic Affairs, 1965): P. Gardner, "The Working Classroom," in L.M. Smith, ed., *The Making of Britain: The Age of Revolution* (London: Macmillan, 1987); and P. Gardner, *The Lost Elementary Schools of Victorian England* (London: Croom Helm, 1984). For other areas see R.H. Coase, "The Lighthouse in Economics," *Journal of Law and Economics* 17 (October 1974): 357–76; Tyler Cowen, ed., *The Theory of Market Failure: A Critical Examination* (Fairfax, Va.: George Mason University Press, 1988); and H.W. Arthurs, *Without the Law: Administrative Justice and Legal Pluralism in Nineteenth-Century England* (Toronto: University Of Toronto Press, 1985).
14. See J. Prest, *Liberty and Locality* (Oxford: Oxford University Press, 1989).
15. For a discussion of the theoretical issues which shows how most public goods can in fact be non-compulsorily supplied, see Anthony de Jasay, *Social Contract, Free Ride* (Oxford: Oxford University Press, 1989).
16. Harold Perkin, *The Rise of Professional Society: England Since 1880* (London: Routledge, 1989).
17. Finer, 212–5.
18. For Cobden's views see Richard Cobden, *Speeches on Questions of Public Policy*, ed. John Bright & J.E. Thorold Rogers (London: Macmillan, 1903), 187.

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Anthony de Jasay

A STOCKTAKING OF PERVERSITIES

Why, despite its recognized perverse effects, do societies opt for an expanding welfare state? Public choice theory accounts for this in terms of the prevailing choice rule, "majoritarian" democracy. This contractarian perspective holds that other, more benign choice rules could be adopted. The reviewer disputes this view on the ground that if the public choice approach is generalized, the choice rule must be seen to be the product of the same influences as the choices within the rule. "Majoritarian" democracy maximizes the scope for redistributive legislation, hence also the expected gains from politics; it will be "chosen" in preference to more benign rules.

Anti-poverty programs prolong poverty. Minimum wage legislation reduces employment and does not noticeably raise the earnings of those who do find jobs despite it. Universal educational opportunity leads to the massive erosion of standards of literacy and numeracy. Aid to families with dependent children helps to break up families and promotes childbearing by unwed teenage girls. Social Security stimulates consumption at the expense of saving, eating into the capital stock that would be called upon to help honor pension promises. Paying people when ill encourages malingering, paying them when out of a job encourages them to wait for an "acceptable" job to turn up. Rent control induces maldistribution of the available housing, penalizes the homeless, and in due course reduces the

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housing stock altogether. Compulsory insurance provokes more frequent occurrence of the event people are made to insure against. A redistributive fiscal system churns income flows among social groups "horizontally" but does little to redirect them "vertically" to fulfill its ostensible goal, greater equality.

For the benefit of those for whom this kind of sad litany is still news, Richard E. Wagner's *To Promote the General Welfare: Market Processes vs. Political Transfers* (San Francisco: Pacific Research Institute, 1989) proceeds to a workmanlike stocktaking of the perversities of the welfare state, showing in the process that these are mostly predictable effects of a single common cause, the unrestricted power of democratic decision making.

Most of us are individually straight if not downright square, yet collectively we are nothing if not perverse. The costly failures of welfarist redistribution and their corrosive effect on the fibers of society are not seriously in dispute. Nor are many left who still believe that if a policy proves to have too many unpleasant byproducts, a better one can be found that will bring only pure bliss. Yet there is little sign of any contemporary society really trying to kick the welfare habit—at best, there are periodic good resolutions to cut down on the fixes. Why is this so?—and must it be the case?

Many answers are floating about in the public consciousness. Some are on the comic strip level: "Surely You Don't Want Jones Back?," "Market Socialism Is the Best of Both Worlds," and "We Can't Have a Darwinist Free-For All." These are not amenable to critical scrutiny. Others are less simple but just as simplistic. However, three are, to my mind, worth discussing.

Welfare Relativism

The first is the answer sophisticated American liberals and European social democrats would give under pressure. They do not seriously contest that welfarism does, in roundabout ways, call forth a shabby catalogue of perverse effects (though they do not despair that reason backed by research can in due course deal with them). Other effects of the welfare state, however, they consider indubitably positive. They tell you that good and bad effects of different kinds and affecting different people are incommensurable and cannot be balanced against one another in some logico-mathematical operation. "The welfare state is a millstone around society's neck" and "the welfare state is the best instrument of social justice we have" are not descriptive statements, but expressions of preference, and one is no more "valid" than the other. Welfare relativism does not

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argue about the "right" tradeoffs between justice and efficiency, liberty and equality and so forth, that a rational society *ought* to have chosen, nor does it claim that individual wishes, once fed into the political sausage machine, somehow come out in the form of the "wrong" collective choice. It accepts that the policy society does choose, perverse effects and all, is what it wants—for the allegation that it "really" wanted a different one is meaningless.

The second answer, which I would label Hayekian liberal, is that it is right and proper to stretch out a social safety net to catch those who fall, as long as this is not done in the name of social justice and with an egalitarian intent. Hayek agrees that "the amount of relief now given in a comparatively wealthy society should be more than is absolutely necessary to keep alive and in health,"[1] and he accepts that the availability of such relief will induce people to let themselves go and rely on it, as well as that the state should compel all to insure against life's hazards and should develop some institutional framework of administering welfare. "Up to this point the justification for the whole apparatus of 'social security' can probably be accepted by the most consistent defenders of liberty."[2] What Hayek finds unacceptable is that the apparatus should have redistribution as its avowed aim,[3] though it is not obvious why it matters so much whether welfare policies are meant to be, or just are, redistributive. It seems, however, that it is redistributive intent that vitiates welfarism and should lead to its rejection if collective choice were not perverse.

Wagner parts company with Hayekian and indeed all classical liberalism when he admits arguments for the legitimacy of intentional redistribution: for example, when individual charitable giving is conditional on enough others giving, too, so that charity functions as a public good the state can Pareto-optimally provide; when people are "risk-averse" and actually like progressive taxation as a form of insurance that even those who never collect from the policy are willing to buy; or when redistribution is the price all agree to pay to secure acceptance of the existing order by those who do least well under it. Here, Wagner stands squarely in the contractarian tradition, as befits a disciple of James Buchanan and a co-editor of *Constitutional Economics*. The notion that redistribution is good (Pareto-superior) for both gainers and losers because it is a necessary cost of producing civil society, however, has two versions. Buchanan's shows how redistribution may be a condition of preventing our relapse from social cooperation to pre-contract lawlessness. Rawls's affirms that redistribution in conformity with his "difference principle" leads to *willing* social cooperation as distinct from social cooperation *tout court*. The former version is as it may be, but to believe in the latter is to believe anything. Wagner wisely keeps a safe distance from Rawls's contractarianism.[4]

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The Charms of Churning

The third kind of answer as to why we collectively opt for the welfare state, even if individually we disapprove of its works, emerges from public choice theory, a body of doctrine that has become part of orthodoxy in political economy. Wagner's book is a lucid illustration of many of its themes, largely free from the suffocating jargon of so much current writing in the social sciences. His focus is "constitutional" in that it bears upon causal relations between decision rules and the decisions they help to produce. So does a large part of the literature, from the study of elections and public utility regulation to game theory. However, according to his preface, this focus makes his book "unique," a case of academic hard sell that devalues an otherwise sober piece of work.

Summarily, public choice theory shows how a given set of social decision rules, such as "majoritarian democracy," has as its corollary a system of incentives, such as the potential payoffs that can be won by particular voting coalitions, to which the participants in the political process respond in predictable ways. With the insights of public choice theory, it is easy to grasp how, for instance, even minority groups can obtain overt or covert transfers that, by accepted modes of reckoning, confer smaller benefits on them than the cost they impose on the community. Publicly provided goods mostly enjoyed by a particular segment of society but paid for out of general taxation are, of course, analogous to transfers in their redistributive effects. Potentially, majority rule allows everybody to profit under some heading as a member of some minority, while paying for every other minority benefit as a member of the majority; it is theoretically possible for literally each and every voter to be worse off thanks to the welfare state that each nevertheless keeps voting for. What is more appalling still, each is perfectly rational to do so.

One characteristic of public choice theory is that it gets its results by having everybody, including the politicans, play the game by the rules to his best advantage, reacting to incentives, uncontaminated by ideology and metaphysical beliefs. Classical liberals, in diagnosing the perverse ailments of the body politic, used to blame the gullibility of the electorate, the fatal conceit of social engineers and the dishonesty of demagogues. An approach that does not need recourse to such human weaknesses is presumably better theory, though one suspects it may inspire worse historiography. This, however, is just my self-indulgent speculation, the pursuit of which would loosen our grip on the subject in hand. Back, therefore, to rules, actions and payoffs.

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The Sanctity or Profanity of Rules

What is strange in Wagner's work, and not only in his, is the juxtaposition on the same plane of the "welfare state" and the "contractarian state" as two interchangeable possibilities that could be chosen, rather like celibacy or marriage, rail or road, sea or dry land, town or country. From this treatment comes the cohabitation, under the same intellectual structure, of the positive study of public choice and the normative precepts of "constitutionalism." The ability to have them as bedfellows is due, as far as I can judge, to a crucial maneuver around the genesis of rules and their immutability.

In public choice, winning groups get the best available payoffs and impose worse ones on the losers. However, for some reason or other, this ceases to be true where the payoffs are indirect and take the form of alternative constitutional rules, which are but gates giving access to direct payoffs. Redistributive direct payoffs depend on collective decisions, and constitutions are systems of rules for making them. One can identify these rules as, in effect, indirect payoffs. Some rules hinder redistributive decisions, others help them. Hence some constitutions are a manifest source of better direct payoffs for the prospective beneficiaries of public largess than others. The contractarian-cum-public-choice school appears to hold that these persons and their respective groupings respond to incentives and maximize payoffs when shaping legislation and imposing policies, but not when shaping the constitution that is a determinant, both of what policies may be imposed and who is entitled to impose them.

In actual life, for ad hoc reasons there happen to be defective constitutions which are not neutral, but loaded in the sense of facilitating collective choices that are contrary to the Lockean ideal or to some notion of natural right. By the contractarian logic, however, these are avoidable aberrations, for there is, in a society with the usual divergent interests, a place to be filled by a constitution that *could have been* unanimously agreed upon in an original contract, if the occasion to propose one had arisen. Its terms are at worst indifferent, at best benign, in that they hold no bias and threaten no adverse consequences for any person, group or class, and promise benefits at least to some. Such a contract is concluded, as it were, in a state of innocence, before original sin, that is to say before there can be generalized collective choice, including contested choice where the winners can carry the day over the opposition of the losers. For, as contractarians might explain, winning coalitions can impose their will on the losers once there are rules for telling who has won, but not before. Consequently, in the choice of rules there can be no imposition, but only quasi-unanimous consent, and this is the fundamental reason why the *choice of the rules* is

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invested with an aura of sanctity, as opposed to the profanity of contested *choices within those rules*.

An obvious down-to-earth objection to this is that momentous choices can and since time immemorial have been imposed by some people on others without benefit of agreed, formal rules. Let it be the case, however, that there is a benign constitution to begin with and the greedy gremlins who swarm around public choices had no hand in its making. Since, however, they know no taboos and are led by interest, what is to stop them from profanely starting to reshape the constitution the moment it provides them with the rule system for engineering agreement to non-unanimous choices?

Article 5 of the U.S. Constitution, providing for the manner in which "rules for choosing" may be altered, erects obstacles to constitutional change which make it more difficult to *amend* the rules than to *apply* them in ordinary legislation. But such difficulties exert their "constitutional drag" essentially through augmenting the size of the winning coalition required for carrying the rule change; a broader coalition must be in favor than is needed for passing ordinary laws. Public choice theory, if it were not imbued with the contractarian dream of redeeming the republic through prescription, would in good logic have to predict that an impartial constitution will first be changed to suit the broad winning coalition, and then be changed again to let progressively narrower coalitions despoil ever larger minorities, until the rule system finds its final resting place—the "End of History" of media gurus—in unlimited bare-majority democracy. At this "End of History," *no minority right or privilege can subsist without* (at least tacit) *majority consent* and no potential winning coalition that could carry the day under the existing rules can hope to augment its redistributive spoils by getting agreement to change the rules any further.

Generalized Public Choice

In reality, things work more insidiously than this. Constitutional change need not pass through the straight and narrow gate of some Article 5. The transformation of the U.S. Constitution from a rule system classical liberals used to admire, into one where modern American liberalism has all the elbow room it may desire for its redistributive exercises (even though the Rehnquist Court cramps its style in other respects), took place in more diffuse and unobtrusive ways.

Statute law, even when it ranks as constitutional law, is never simply "applied"; we would need no judges nor advocates, but only bailiffs and jailers if it were. In marginal cases, the courts have to make or remake law before applying it, but in all cases they must interpret it to some degree,[5]

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and it is flying in the face of experience to suppose that judicial interpretation—be it informed by the best in legal scholarship and honesty—can for long dissociate itself from the political climate, the pressure of society's demands and, most potent of all, the trend of articulate opinion.

This is how the very Fifth and Fourteenth Amendments, once seen as the cornerstones of private property rights and the freedom of contract, have since been discovered to be no obstacle at all to the elaborate regulation of business, the broad advance of eminent domain, extensive legislative intervention in the distribution of incomes, "positive" discrimination, the shift of power from state to federal authorities, and so forth. Without significant recourse to any "rule for changing rules" that the original Constitutional contract may have provided for, enough of the essentials have changed *de facto* to transform American politics from "constitutional" to "majoritarian" democracy. A generalized public choice theory that did not confine its scope to the special case of "choices within given rules," but exposed all political alternatives, including the rules for choosing among them, to the maximizing hypothesis that has proved fruitful in the study of the pork barrel, the growth and tenacity of bureaucracies, the deficit and the essential perversities of the "promotion of the general welfare," could have predicted this outcome, too.

Putting it at its simplest, majorities choose legislation that maximizes their gains from politics, and they learn to choose a constitution that maximizes the scope for such legislation. The second part of this double proposition follows from the same premises as the first, though the relevant maximizing processes may not be equally rapid and straightforward. Public choice theory, once it relegates the happy vision of a "rights-based," rights-conserving and liberty-securing constitution to its proper place alongside all of the other good things we cannot have, is well enough set up to digest both.

NOTES

1. F.A. Hayek, *The Constitution of Liberty* (Chicago: University of Chicago Press, 1960), 285.
2. *Ibid.*, 286.
3. *Ibid.*, 289.
4. In particular, Wagner (34–5) is rightly unimpressed by the maximin strategy that Rawls, in order to get his result, needs to pass off as the dominant one in the pre-contract position—i.e., unanimous agreement by the parties that the "difference principle" shall govern distribution among them.

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5. Any law (no matter how fussy or "special" in the pejorative sense) is more general than any case to which it might apply. The judicial decision that a class of cases in fact includes a given case, involves the cognitive operation of identifying each in terms of the other. "Substantive due process," itself an interpretation of the Fifth and Fourteenth Amendments, rules out as unconstitutional a class of legislative acts that would "deprive any person of life, liberty or property without due process of law." Whether the fixing of minimum hours of work in bakeries or minimum wages for women fall within this class or outside it is patently a matter of interpretation, and the interpretation has undergone enormous change in the present century. However, the change was fully to be expected on "public choice" grounds.

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Norman P. Barry

THE PHILOSOPHY OF THE WELFARE STATE

A critical survey of the major philosophical arguments that have been used to justify the institutions and policies of contemporary welfare states considers the claims of rights theory, egalitarianism, and citizenship and communitarian doctrines. It finds that these arguments are both internally confused and inconsistent with conventional welfare policies. It is argued that the welfare state itself has serious ambiguities: it claims to cater for the needy, as part of its "public good" obligations, yet in practice it delivers a range of private *goods, e.g., health, housing, education and pensions, often irrespective of need. Yet classical liberal theories of state welfare, which favor simple cash payments, are flawed in theory and potentially costly in practice, while neoconservative theories, by imposing "values" on welfare recipients, undermine liberal pluralism. The author concludes that welfare philosophy should be concerned with*

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two neglected areas: the possibility that welfare be provided outside the familiar market and state categories, and the construction of constitutional rules to prevent the middle-class "capture" of existing welfare states.

Both admirers and critics of the welfare state agree that it is in a crisis. It is not merely an institutional or administrative crisis, a serious doubt about the most effective way to deliver agreed-on goals, but a more profound predicament about the nature of the goals themselves. What was universally accepted as the intellectual "consensus" has in the last twenty years or so become subject to serious attacks, notably from the classical liberals and neoconservatives (they are not the same, as I shall show below) of the "New Right," but not exclusively so.[1] Although many of those assaults have been derived from "efficiency" considerations that do not challenge the fundamental goals of welfare, enough of them have been concerned with values to justify the attribution of the phrase "legitimacy crisis" to the welfare state itself.

A distinction should be made between welfare and the welfare state. I take it that no social philosophy, except perhaps the more extreme deontological or duty-based ethical theory, is indifferent to a society's well-being; indeed most classical liberals maintain that one's own well-being is adversely affected by the indigence of others. Yet it is not incontrovertible that the typical institutions of the welfare state are consistent with intuitively plausible notions of well-being. This difficulty does not emerge merely because of known institutional problems of existing welfare states, e.g., the well-documented tendency of many policies, justified by the needs of the indigent, actually to increase the well-being and opportunities of the middle classes.[2] It stems from the notion of the welfare state itself, which, on many interpretations, entails the injunction to impose particular patterns of income and wealth, based normally on desert and need, on individuals. The individualist would argue that the absence of *agreement* on deserts and so forth in large, anonymous societies means that the imposition of a pattern involves the arbitrary selection of one value from a competing set of them. The welfare state cannot then do justice to that pluralism and diversity of values that we associate with a liberal society.

This criticism is, in fact, quite different from the neoconservative critique of the welfare state that has come to dominate the debate in recent years. The latter is fundamentally a moral criticism; indeed, it is an analysis which depends upon a demonstration of the inconsistency between the type of moral agent allegedly produced by welfare states and certain inherently desirable values.[3] Thus the indiscriminate delivery of welfare benefits encourages dependency, undermines the work ethic and fails to

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distinguish between the "deserving" and the "undeserving" poor. This conservatism is fundamentally at odds with neoliberalism, since it depends on there being one legitimate set of values based on notions like "desert" and moral responsibility (applicable, apparently, only to the public domain). To liberal *subjectivists*, though, there is no hierarchy of values, least of all an objective set of them, beyond perhaps certain procedural rules. From this perspective the recognition of the diversity of men's ends and purposes is liberalism's primary virtue. It is a belief in the incommensurability of values that makes the liberal skeptical of the forms and justifications of typical welfare states.

The distinction between classical liberal and neoconservative doctrines is not of analytical significance only, for it can be, and has been, cashed out in policy terms. Perhaps the chief target in the U.S. of neoconservative criticism has been any variation of the classical liberal welfare policy—the Negative Income Tax (NIT). This particular policy has been thought to be harmonious with liberal individualism because it does not impose some arbitrary redistributive pattern on individuals; while giving effect to those altruistic preferences which are thought to be widely shared, it allows the recipients of welfare to live as they wish. Welfare is held to be a public good since the contribution one person's altruism adds to its supply is so infinitesimally small that he has no incentive to make it. It is therefore to be supplied by the state for technical reasons. I leave aside the important question as to whether this justifies government provision of welfare (Robert Sugden maintains that it does not);[4] the point is that it is thought to be so justifiable by some liberals.

According to neoconservatives, programs operating on the principle of the NIT make for the very worst welfare policy, since the ease with which cash is paid, its anonymity and absence of stigma, inculcates those very personal traits that neoconservatives find undesirable: dependency, the break-up of family life and so on.

A further way in which the welfare state has come under classical liberal attack centers directly on ethical questions: in particular, the question of the ethics of ownership. Implicit in much of welfare philosophy is the idea that the wealth of a community is available for redistribution on some appropriate ethical criterion. The paradigm statement of this, of course, is in Rawls: "All social values—liberty and opportunity, income and wealth, and the bases of self-respect—are to be distributed equally unless an unequal distribution of any, or all of these values is to everyone's advantage."[5] This is a "presumptive" argument in favor of equality rather than an actual egalitarian argument, since there are always reasons (especially so in the case of Rawls) why some inequality is to be preferred.

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The classical liberal objection to this view is not simply derived from efficiency—i.e., the implied distinction between production and distribution generates policies that misallocate resources—but it is an ethical argument to the effect that such redistribution of already owned objects violates the owners' rights: an alleged breach of the Kantian principle that no person should be used solely as a means to the ends of others.[6] Therefore, since many justifications for state welfare are couched in terms of rights, since indeed a symmetry between the traditional "negative" rights of forbearance and the new "positive" rights of welfare is presupposed by all interventionist theories of welfare, this question must be addressed. Is the right to freedom then of such infinite weight that it defeats all claims to welfare or is there (despite obvious liberal objections) some kind of trade-off between it and other values? Can freedom be redefined so that its exercise necessitates some welfare provision?

The above are the types of objections that have been raised to welfare, and, although they are heterogeneous, they have amounted to a critique which the welfare philosophers have had to take seriously. Among reconstructions of welfare philosophy I shall show that there is a similar heterogeneity, but also sufficient common ground. In what follows I shall first address the *general* question as to why we have a welfare state at all. I shall then discuss critically the various justifications for welfare that have been produced. This will be followed by a brief analysis of some familiar welfare state policies and their connection with welfare theory. I shall conclude with some speculative thought on the future of that theory.

Why a Welfare State?

Arguments about the welfare state inevitably involve comparisons between the market and the state (though I hope to show that it is a misleading dichotomy): between the delivery of goods and services according to the subjective valuations of individuals constrained only by price, and their compulsory delivery by the state, either because someone thinks it is right that they should be delivered in a certain way or because that is the result of some political rule that attempts to translate private preferences into public choices.

Superficially, the market seems to embody both freedom *and* welfare; after all, individuals only exchange for their mutual advantage. Indeed, almost all contemporary welfare philosophers concede the virtues of the market as an efficiency-enhancing and freedom-exemplifying institution.[7] However, that is only part of the story, and a very small part at that. The market has a number of crucial deficiencies that apparently can only be

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remedied by the state. They are not just failures to provide public goods (of which welfare may be, but not necessarily, quoted as an example). The objections go deeper than this and touch upon fundamental ethical questions.

The first point is the market's apparent indifference to morality, at least to any moral principles that go beyond those required for the operation of the system itself, such as fair dealing and promise keeping. Even these may be said to pose a problem for market theorists since the rationality assumptions on which the theory is said to rest preclude individuals from being governed by anything other than *immediate* self-interest; so that actors cannot be expected to internalize those rules which are required for permanence and stability.[8] These last are necessarily a product of force.

Important though this point is, I do not think it is primarily what the welfare philosophers have in mind. Their objection is to the refusal of liberal individualists to evaluate market outcomes in any moral terms at all. Thus market theorists restrict moral evaluation and the ascription of responsibility to the intentional acts of individuals only. Since no one person intends the outcome of a market process he cannot be blamed for it; therefore, no evaluation of it is permissible. And since, for epistemological reasons, the outcome can never be known in advance, our ability to alter social and economic arrangements is severely limited, if not eliminated. Indeed, the nature of the market process is more gaunt than even welfare philosophers realize because we cannot say, for the same epistemological reasons, whether any given outcome is "efficiency-enhancing" or (indirect) utility-maximizing, let alone socially just. All we can say is that it coordinates the actions of decentralized agents; this is something, but not something of great use in the construction of a substantive welfare theory.

It is not so much, then, the classical liberal justification for market inequalities that provokes the welfare philosopher, but the absence of any moral justification at all for exchange phenomena. The liberal's belief in the diversity and incommensurability of values leads him to regard social institutions as protection devices: what people *become*, e.g. in terms of equal respect, is a matter for them, not for institutions. Philip Pettit, using slightly different language, puts the point thus: "the liberal democrat requires social institutions to *exemplify* equal respect, the social democrat requires them to *promote* it" (my italics).[9]

It is a major claim of welfare philosophers that equal respect is owed to everyone. The reason equal respect is unlikely to be promoted by market arrangements is that they are characterized by inequalities which load the catallaxy in favor of minorities: unequal resource endowments generate

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even more unequal outcomes. Thus it is only by chance that equality might emerge from markets. In reality, it is not quite a matter of chance, since the more competitive a market is, the more it is likely to whittle away respect-reducing phenomena, e.g., sexual, racial and other sorts of privilege.[10] Furthermore, the nearer a market approaches "perfect" competition, the less profit, i.e., income in excess of marginal productivity, there will be. Nevertheless, it has to be conceded that however competitive a market it is, inequality of resource endowments will persist and must be defended on other grounds—or at least their non-defense explained.

The next major step in this welfarist argument is to maintain, as Raymond Plant does,[11] that just because we cannot attribute responsibility to particular agents for the outcomes of market processes, it does not follow that persons or institutions are absolved from the responsibility of alleviating them, at least to the extent that they involve deprivation. Such outcomes may be unintended but they can be foreseen and corrected. It would be wrong for the market economist (as Austrian-school theorists do) to hide behind a screen of epistemological uncertainty here: since we cannot "know" the future we cannot predict the consequences of our interventions, and therefore we ought not to intervene. In fact, the market economists are very confident of certain futures, e.g. the likely (or even certain) consequences of rent control. It is therefore not implausible to suggest that potential victims of spontaneous market processes could be readily identified and hence aided. For this reason it is held that "if [these results] are foreseeable, it would mean that market outcomes could be regarded as coercive for the worst-off because individuals can be held responsible for the unintended but foreseeable consequences of their actions."[12]

Although I am not convinced that market forces can be treated as coercive in this way, the argument is well made. However, in some ways, it seems at odds with much of traditional welfare philosophy. It makes the case for state welfare on quasi-liberal grounds—by way of tracing out certain sorts of causal histories. Certain undesirable events (pockets of unemployment, poverty amid affluence, and so on) occur for which, although no one person can be blamed, we can find surrogate offenders, "market forces." Yet surely, the most pressing cases for state welfare, e.g. the mentally handicapped and permanently disadvantaged, occur for reasons which have nothing at all to do with the alleged coercive nature of market forces. The moral justification for action here rests on entirely different grounds: grounds which have been produced by welfare philosophers, Raymond Plant included (see below).

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Thus I think that the welfarist critique of the market serves a rather different purpose. The real point is not to establish some reason or ground for action (such as the existence of suffering) but to show that *only* the state can relieve or alleviate this condition. After all, (most) liberals and welfare philosophers can agree surely that the existence of deprivation does constitute a prima facie reason for action; it is just that the welfare philosopher defines the market in such a way that it turns out to be incapable of such action. Or rather, the welfare philosopher characterizes the liberal's realm of freedom as exhausted entirely by a description of exchange relations subject to price. The welfare philosopher, of course, does not deny the existence of altruism but he does argue (following Richard Titmuss) that the remorseless penetration of market relationships into social life has an enervating effect on the altruistic impulse.

The reason for this is that market relationships are governed entirely by self-interest: this is admitted to be a necessary motivation for the production of ordinary goods and services but not for the production of welfare. It is so because the obligations and duties that arise out of market relationships (subject, of course, to the rule of law) are "self-assumed":[13] contracts and promises are binding and enforceable only because they arise out of the voluntary acts undertaken by agents to advance their interests. Any other duties, such as those that arise out of the welfare needs of others, are supererogatory, even "optional." Yet if no one would regard the obligation to relieve deprivation as merely optional, and if the market generates only self-assumed obligations, it follows for the welfare philosopher that only the state can satisfy legitimate welfare demands.

I think that all of this rests upon a somewhat misleading contrast between the market and the state. A more enlightening contrast would be that between freedom and coercion, for it is surely the case that there are many forms of voluntary action that are not governed by self-interest, and some moral duties that arise from sources other than contract, yet which do not require the state for their enforcement. If there are moral duties which, though compelling, do not depend upon an immediate sanction, then it would be possible to show that many welfare institutions (though perhaps not all that the welfare philosopher would regard as necessary) could be sustainable in the absence of the state. In other words, equal respect may be possible without the positive action of the state. Furthermore, non-governmental welfare institutions need not depend on a generalized altruism. A welfare *society* would be possible without either an impossible benevolence or a narrowly defined set of obligations. The reason why it is important to establish at least the possibility of this phenomenon is that there are obvious difficulties with the state supply of welfare. There are, in fact, as many reasons to be skeptical of the modern

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democratic state's ability to deliver that good as there are of the market's—reasons that are finally being appreciated by welfare theorists.[14] It is the uncritical depiction of the market as an arena of unadulterated self-interest (with a potentiality for coercion) which has led social philosophers to compulsory welfare, overlooking the alternative of a compelling but not state-enforced moral duty.

Why Welfare?

The goals toward which social philosophers seek to direct the welfare state are heterogeneous. Although the writers in this tradition may be aware of conflicts between them, such disharmony is not thought to affect seriously the rationale of the welfare state. What is perhaps more critical, however, is the fact that the differing moral justificatory principles that are offered imply correspondingly differing institutional arrangements for the delivery of "the" welfare good. It is here, I think, that empirical evidence about the behavior of welfare states acts as a crucially important check on the promotion of certain welfare principles. For example, substantial evidence indicating the failure of egalitarian policies, however they are implemented, should surely encourage welfare philosophers to revise their views on the importance of equality as a welfare goal.

However, there are two themes that are common to all welfare philosophy: the claim that the state is legitimately redistributive and the claim that such redistribution is a matter of strict and enforceable duty rather than benevolence. The first theme involves the rejection of the familiar argument (from Locke to Nozick) that claims to legitimate ownership of resources defeat all claims to welfare. The second theme involves, ironically, the affirmation of an equally familiar liberal-individualist postulate: that the right is prior to the good. Furthermore, many welfare philosophers maintain a typically liberal *subjectivist* position about ends (although not without some important qualifications). Thus Weale writes: "ultimately persons are the best judges of their own welfare."[15] The argument is that without welfare institutions the liberal ideals of individual autonomy and equal respect are unattainable. I shall suggest below that the typical welfare institutions (which welfare philosophers support) are not consistent with this aim.

The familiar justificatory principles for redistribution are: rights (which I will conjoin with needs), freedom and autonomy, equality, and community and citizenship. We shall see that it is easy to show how these are not necessarily harmonious, though they are usually treated as if they were.

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Welfarism: The Argument from Rights

There are good reasons why much of welfare philosophy focuses on rights, whether understood in universal or social terms. It is because their possession implies, in H.L.A. Hart's words, "a special congruity in the use of force or threat of force to secure that what is just or fair or someone's right to have done shall in fact be done; for it is in just these circumstances that coercion of another human being is legitimate."[16] If there are any welfare rights, then it can only be so if coercion can be justified in the redistribution of resources that their possession necessitates.

This demonstration would have two important consequences for welfare theory. First, welfare rights would be symmetrical with the familiar negative rights (i.e. rights to forbearance from aggressive action on the part of others). Second, it would, if successful, provide a plausible defense against the neoconservative objection to the welfare state that the very existence of welfare rights, enforceable at law, encourages people to adjust their behavior accordingly, i.e. by becoming welfare-rights claimants. For if welfare rights are symmetrical with negative rights, then people are entitled to whatever goods accompany those rights, and there is nothing *wrong* with their attempts to claim welfare benefits. In other words, there is no real analogy with the phenomenon of "moral hazard" in private insurance markets.[17]

The liberal individualist objections to the assimilation of welfare (positive) rights to negative rights are well known and can be briefly summarized. A person's negative rights are honored when others merely refrain from interference, whereas welfare rights require positive (deprivation-alleviating) action by others; since the satisfaction of positive rights necessitates a redistribution of resources, the rights of legitimate property-holders are thereby violated; hence welfare rights cannot properly be universal. Moreover, the attribution of responsibility for the violation of negative rights is simple, whereas it is impossible to assign the responsibility of meeting positive rights-claims to anybody. Finally, because of the indeterminacy of positive rights they could be interpreted, at one extreme, as a claim for a massive world-wide redistribution of resources or, at the other, as no more than the right to bare survival.

However, it is now accepted, even by some neoliberals, that the asymmetry between negative and positive rights cannot be demonstrated from the above considerations. The obvious point is that unless the right to life, for example, is interpreted *simply* as an injunction to refrain from killing, with no implications as to how that right might be protected, even negative rights involve positive action by the state, hence redistribution. Also, as Alan Hamlin points out, a strict interpretation of the argument that it is

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morally permissible to protect only negative rights would entail a virtually unlimited expenditure on law and order and zero expenditure on welfare.[18] The "night-watchman state," although limited, could still be very large. (The indeterminacy issue, to which I shall return, is not so easily disposed of; but then neither are indeterminacies in defining negative rights.)

In fact, welfare-rights theorists do not rest their case merely on a demonstration of symmetry between positive and negative rights (which, incidentally, assumes that rights statements are meaningful—a position not accepted by all anti-welfare liberals); they maintain further that a proper account of *agency* necessitates a theory of rights that puts positive rights on an equal footing with negative rights. It is claimed that to be a moral agent capable of making choices, in the sense described by liberal theory, requires that basic needs, or conditions of well-being, have to be met. Raymond Plant writes that "basic needs have to be satisfied to do anything at all."[19] Similarly, Alan Gewirth[20] claims that his Principle of Generic Consistency logically requires that there be positive rights, since to deny them would be to deny one of the two key features of human action—*well-being*.[21] This consists in the purpose-related general abilities and conditions that are required either for being able to act at all or for having general chances of success in achieving the purposes for which one acts.[22] Such positive rights are correlated with positive duties by the state or other social institutions (though Gewirth suggests that duties may lie on non-political agencies).

I shall leave aside the question as to whether or not there is some conceptual connection between the logic of ethics and positive rights. However, it is worth pointing out one way in which a deontological ethics (which would condemn rights-violations designed to maximize welfare) could be *theoretically* constructed that might meet the standards of well-being set forth by Plant and Gewirth. There is a long tradition in ethics and political economy which holds that certain non-augmentable natural resources, the obvious example being land, cannot be said to be legitimately "owned" by the criteria normally associated with ownership, i.e. labor, gift and exchange. Thus the rental or unearned income from landownership could be taxed away, without anyone's rights being violated, and used to fund welfare.[23]

However that may be, my concern now is to show that there are other reasons than those cited above which indicate that there is no exact symmetry between negative and positive rights. These hold apart from any practical reasons that tell against the assimilation of one to the other. The reasons cover the following issues: *indeterminacy*, *justiciability*, and *responsibility*.

Indeterminacy is a problem because welfare-rights theories say two potentially conflicting things: that a positive right to well-being is *more* than

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the entitlement to the minimum required for mere survival, and that the needs on which such a positive right is based are objective. Thus, even if it is agreed that well-being is essential to a developed morality, it is hard to see how its demands can be translated into the precise language of rights if it is to be a legitimate claim to more than a bare minimum. If one believes in the incommensurability and diversity of values it is strictly impossible to incorporate the various "well-beings" into one authoritative pattern. Indeed, the subjective nature of well-being may well mean that the only way it could be honored would be by unequal distributions of resources—which would be condemnable on other moral grounds. This question is crucially important when we consider the connection between the welfare rights that are owed to us as human beings and those social (welfare) rights that belong to us as members of particular communities. For generous interpretations of the former would sanction an international redistribution of resources, which would be precluded by the latter.

This problem of indeterminacy leads directly to the question of justiciability. It is understandable that welfare philosophers should demand the constitutional protection of welfare rights since it is almost certainly the lax political rules of majoritarian democracies, and the discretion granted to officials, that have caused the failure of postwar welfare policies aimed at both equality and the relief of deprivation: coalitions of group interests have submerged the widespread desire for some form of welfare for the needy that exists in a community. Yet the demand for strict constitutional standards to prevent, e.g., the middle-class capture of the welfare state is not the same thing as the demand for a "list" of welfare rights (as in the U.N. Declaration of Human Rights). It is difficult to see how one could claim in a court of law that one's right to well-being had not been upheld by a government. It is true that many democratic states do include welfare claims and entitlements within their structures of positive law, but these derive from normal political processes and may very well be arbitrary. My claim is that it is difficult to see how a "natural" or universal right to welfare could be incorporated into a basic constitutional document.

No doubt the same thing could logically be said of some negative rights, but the difference in degree between the two types has great significance.

The last difference between negative and positive rights centers on the question of personal responsibility for action. Does the fact that a person may act in such a way that he becomes entitled to welfare make a difference to his moral claim?

This point has some practical application, as contemporary welfare policies unintentionally encourage people to adjust their behavior so as to secure welfare benefits. Gewirth, who certainly believes in the symmetry of negative and positive rights, nevertheless stresses the fact that the agent

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"cannot rationally demand of other persons that they help him to have basic well-being unless his own efforts to have it are unavailing."[24] David Harris, a proponent of social rather than universal rights, similarly argues that "the fact of need, independently of how the need was created, does not provide a sufficient ground upon which a normative defence of need-meeting policies can be founded."[25] Both those writers imply that questions of causal history and the direct attribution of responsibility for action are relevant to the moral status of positive rights. It seems to me that considerations such as these do point to a clear asymmetry between welfare rights and the familiar negative rights. For example: although we might say of a person that his action of walking through Central Park at 2 A.M. was extremely foolish, we would not say that this foolishness thereby rendered nugatory his right to forbearance from potential muggers.

Against the Gewirth position, Robert Goodin, actually a consequentialist welfare philosopher, argues that such causal histories make no *moral* difference and says that it is the fact of vulnerability itself that justifies positive deprivation-reducing action.[26] Does this not have the bizarre implication that no matter how willful and improvident a person's actions are, he has entitlements to the goods of others?

Those critics of the welfare state who claim that it creates dependency rather than individual responsibility are challenging, often in a regrettably vulgar way, a basic tenet of welfare philosophy, i.e., that welfare institutions help to foster a less acquisitive agent than that which inhabits the apparently amoral world of competitive markets. The "welfare mother" who consumes welfare benefits is as acquisitive as the entrepreneur seeking profits (they are both responding to "price signals"), but without the redeeming value of gaining her benefits by providing others with goods or services for which they are willing to pay. It should be stressed that this objection holds quite independently of the cogency, or otherwise, of the other liberal argument, viz. that we cannot attribute deprivation-relieving responsibilities to the state under the guise of "rights."

Liberal Welfarism

Whatever is said about the cogency of welfare-rights arguments, it does not follow that a rejection of them entails a rejection of the welfare state. For it is possible to argue that there is a duty, even of a compelling kind, for public institutions to relieve suffering. If the claim is put in this form, rather than in the form of indefeasible rights, some preconditions on the receipt of welfare, of the type specified by Gewirth and Harris, could be made.

There is, however, another, and I think more promising, way in which a theory of welfare rights might be constructed: that is the contractarian

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method. There is every reason to suppose that rational contractors would choose a constitution that guaranteed a form of welfare, if only for insurance reasons. It is highly unlikely that such welfare provisions would be couched in the form of "rights to well-being" which would emanate from an assembly charged with the function of delivering public goods. It is quite likely that a more "efficient" form of welfare would be generated than that which emanates from conventional majority-rule procedures. In this scenario there would obviously be no difference between negative and positive rights because everything would be a product of subjective choice, and would have value for that reason alone. The rights that are granted would not be considered "natural" rights. Of course, a genuine contractarian method (unlike the Rawlsian version) cannot guarantee that it will generate an outcome consonant with the aims of welfare philosophers: whether it occurs will depend very much on the distribution of welfare sentiment across the contractors. It is for this reason that welfare-rights philosophers have been reluctant to use the contractarian method, instead preferring to claim that a natural right to welfare exists independently of subjective choice.

Libertarian Welfarism: The Argument from Autonomy

The notion of autonomy is used in a similar way to welfare-rights theory, i.e., to show in what ways it is legitimate for the deficiencies of the market to be corrected by the state. A discussion of autonomy is particularly apposite here since one of the most persistent lines of criticism from the skeptics is that the typical welfare-*state* institutions produce the opposite of autonomy, i.e. dependency. The concept of autonomy plays at least two roles in welfare philosophy: to add some normative bite to the familiar idea of negative liberty and to show how state action can bring about a broader conception of human agency than that described in market philosophy. Thus Weale argues that "government should secure the condition of equal autonomy for all persons subject to its authority."[27]

In market philosophy freedom is understood to exist when no (alterable) law or institution impedes the exercise of subjective choice by individuals. Sometimes this is expressed more narrowly: freedom is only limited when a person is actually *directed* to do something (thus liberty would not be limited by general rules that merely forbid certain courses of action).[28] Either way, the existence of certain phenomena thrown up by the market, e.g. unemployment, economic deprivation and inequality, would not count as restrictions on liberty. Whenever state action is used to eliminate these phenomena it is not liberty-enhancing, though it may have some other rationale.

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The argument of the autonomy school of welfare philosophers is that in conditions of deprivation, although a person may technically choose, say, a low-paying job when the only alternative is destitution, it would not be a free choice. Autonomy requires a more extensive liberty if it is to be realized: this liberty would require "an ability to perform an action and the absence of foreseen deprivation consequent upon performing that action."[29] Thus if autonomy is the capacity to reflect upon our choices, so that those we make are directed towards the fulfillment of the long-term conceptions we have of ourselves, then it cannot be realized under conditions of deprivation. If they do occur in an unconstrained market, our choices and actions may often be said to be *caused* in a way parallel to physical causation or to that causation brought about by overt political threats.

It should be stressed that a concept of positive liberty is *not* at work here, precisely because what is good for an individual is still a matter of his subjective choice. It is just that under certain circumstances our conception of the good may be dictated to us by forces which are not necessarily of our own choosing.

I think three comments are relevant to this doctrine. They relate to the meaningfulness of statements about private coercion, the moral status of autonomy itself, and the direct implications it has for welfare policy.

One of the arguments used by liberal theorists to counter the claim that market systems reduce choice is to say that unfreedom only exists when the conditions that constrain choice are *alterable*. The remorseless allocative mechanisms of the market which produce pockets of unemployment and deprivation certainly look as if they are alterable; but this, it is claimed, is misleading, since *any* economic system, if it is to cope with the change and uncertainty of economic life, will produce similar phenomena. The argument here then may not be against markets as such but about the relevant merits, in efficiency terms, of various economic systems. A liberal might also add that freedom is protected under market arrangements precisely by their *impersonal* nature, whereas autonomy-enhancing acts by government must be highly personalized. Even Weale concedes the possibility that the removal of market economic "unfreedom" may necessitate an unacceptable exercise of political power—a process which is itself autonomy-reducing.[30]

The second comment concerns the connection between autonomy and welfare. It is not implausible to suggest that there is at least the possibility of disharmony here. Autonomy is not always a desirable goal: the activity of reflecting on our choices, and pursuing our long-term aims, itself has an opportunity cost. Since some people may well fear the mental costs that autonomy imposes, neither the maximization of their freedom nor of their welfare would depend on autonomy.[31] Indeed, people would not be irrational to value welfare for reasons of security rather than because it

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increased their opportunities for autonomous action. I would have thought the mere fact of deprivation itself, such as physical handicap, would constitute a case for welfare without the need for the necessarily *indeterminate* notion of autonomy.

It is this indeterminacy that makes autonomy a difficult notion to apply directly to welfare policy. As has already been suggested, the complete reorganization of a society so as to eliminate all traces of market economic "unfreedom" would surely be self-defeating. But the indeterminacy appears at a more mundane level. What would we say of someone who valued the present so highly that he would not invest in a pension fund, regardless of the costs such action would impose on him in the future? From the standpoint of welfare philosophy it would not be difficult to say that his time preference was actually determined by his present inadequate (and alterable) income and therefore that his choice was not autonomous. Thus, to impose a mandatory pension plan upon him would not really be coercive. Or would it?

The fact is that the typical institutions and policies of the welfare state do involve compulsion. They do not merely redistribute resources but compel us, on paternalistic grounds, to join (national) pension schemes, health arrangements and so on. Good reasons perhaps can be produced for this, but however good these are they cannot alter the fact that the welfare state necessitates an irreducible conflict between freedom and welfare. The concept of autonomy is frequently used as an overarching principle to mask this distinction. But, as indicated in the pension example, one person's autonomy is another's paternalism.

Egalitarian Welfarism: The Argument from Community

There is a strong tradition in welfare philosophy that values equality for its own sake, or which at least regards departures from equality as requiring of some special justification, but in the contemporary literature there appears to be less of an emphasis on the intrinsic value of equality. Of course, if *mere* equality were demanded it could be achieved by simple redistributive taxation (albeit at some cost in terms of economic efficiency and negative freedom). But this would leave a society still governed by self-interest and characterized by cold and impersonal market relationships. The argument from equality now seems to be a little more ambitious: egalitarianism is preferable because it promotes a society which regulates itself by benevolence and one in which citizenship relationships gradually replace contractual ones. Harris claims that "the welfare state is, therefore, ideally an institutional recognition of social solidarity."[32]

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Although many social philosophers hold to the view that the welfare state has foundations in both universal rights and in community and citizenship (although these latter are also, of course, celebrated as a source of rights), some tension between these justificatory principles is obvious. It is certainly the case that the rights view is more consonant with the liberal tradition of diversity and pluralism. Indeed, the satisfaction of some basic economic needs by the state would be compatible with a world in which each individual pursued his or her chosen ideals of well-being irrespective of the demands of solidarity. Furthermore, if one accepts the common liberal argument that our values are necessarily incommensurable, then there can be no coherent set of "social" values that unites them, but only the imposition of a partial (and equally subjectively determined) set of values onto a world of diversity.

A point more germane to the internal logic of welfare philosophy is that claims of solidarity may conflict with the (more pressing) demands of need. We identify a person's needs by enquiring into certain features of his or her condition; if he or she is entitled to a welfare claim (against the state or other agencies) it is those features that justify the claim and not his or her membership of the community. This point is highly relevant to the vexed question of the relative merits of selectivity and universalism in the delivery of the welfare good. The needs approach seems to gel more easily with selectivity, since if the prime motivation of the welfare state is to eliminate avoidable deprivation then it seems obviously more efficient to "target" those most in need. Yet David Harris argues that selectivity is to be rejected, almost in principle, because it is efficient in identifying and attending to those most in need. Instead, citizenship theory, according to Harris, holds that "universalist welfare policies are required to avoid damaging the self-respect of the indigent by protecting them from the humiliation of exclusionary means testing and the process of being branded a public burden."[33] The damage to the well-being of the disadvantaged that a wasteful universalism may do is not considered. The constant changes of mind amongst welfare philosophers over the "selectivity versus universalism" issue suggests that there is some confusion at the heart of the theory.

The rights/needs approach is different from solidarism in that it posits a moral criterion for welfare which can be used to appraise prevailing social standards. For not all communities display those virtues which are admired by welfare theorists. Communities can be exclusive and intolerant of diversity. It would not matter so much if the welfare obligation were devolved upon small communities within a framework of purpose-independent law but, in fact, communitarian demands are almost always channeled through the centralized state.

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The reason for this is that in common with other welfare philosophers, the community/citizenship school makes the a priori assumption that the state is a source of equality and the market of inequality. Furthermore, there is little discussion in communitarian philosophy of those institutional arrangements which would be required to implement a welfare philosophy, or a recognition of the possibility that the state may "fail" to provide it (however it is justified philosophically). I should like to consider briefly some general policy issues to illustrate this point.

Equality As an Argument against Welfare

The evidence is accumulating that the welfare state as it operates in most Western countries is a primary source of *in*equality. (Much of this evidence is, ironically, provided by social scientists favorable to state welfare.) Equally disturbing, the steady expansion of welfare services does not seem to have produced that altruistic spirit for which the early philosophers of welfare (Titmuss especially) had hoped. This is evidenced by the fact that people of all social classes tend to adjust their behavior to new signals put out by the welfare system just as they have always responded to the more familiar signals of the market. Those depressing "constants" of human behavior adumbrated by David Hume and Adam Smith are as constant as ever in advanced welfare states.

Government intervention generates inequality and middle-class privilege in Britain, most obviously in education and housing.[34] The facts are well known: mortgage interest relief (a fundamental breach of liberal principles of equitable taxation) not only encourages over-investment in housing but also redistributes income from poor to rich. In higher education the provision of zero-cost fees seems almost designed to perpetuate inequality. In areas such as these the hostility to means-testing and the sympathy for universal common provision displayed by *some* "citizenship" welfare theorists seems almost bizarre.

Yet a justification for the continuation of universal services has recently appeared which appeals not to the feelings of solidarity that they might bring about, but to the accidental benefits to the poor that middle-class selfishness produces. It is now claimed that selectivity would allow the middle classes to opt out of the welfare system, leading to a relaxation of political pressure for maintaining and increasing social-welfare expenditure.[35] Thus, the selfishness of the better-off in their exploitation of a universalistic welfare system has the unintended consequence of increasing public expenditure from which the worse-off gain. The Titmuss ideal of altruism seems to have been completely jettisoned in favor of a most intriguing application of Adam Smith's "Invisible Hand" principle.

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However, the welfare state also is capable of regularly generating new forms of inequality. The latest, and potentially most disturbing, is the emergence of inter-generational inequality through state provision of earnings-related pensions: in the U.S. by the Social Security Act (1935) and in Britain by the Social Security Pensions Act of 1975 (though it has been modified by more recent legislation). Here, since the pensions are earnings-related (and therefore reflect the inequalities of wages) and funded from general taxation rather than from investment, one generation of pensioners is able to impose substantial costs on the succeeding generation, and the second generation pays on the assumption that it will be similarly generously treated later.[36] Thus the generations are held together precariously by a curious unsigned "contract": a "promise" under the permanent threat of repudiation by later cohorts of workers. Under future demographic conditions all informed observers agree that the system will have a differential impact on later generations who will be burdened with unfair costs.

It is difficult to see what all this has to do with social justice, autonomy or any other of the familiar social-welfare values. Indeed, it is particularly hard to see how any form of compulsory pension system connects with autonomy, since as pointed out above, its rationale depends on a paternalist judgment about how a person ought to spend his or her income over his or her lifetime. None of this, though, affects the validity of a welfare judgment about aid to the deprived—at whatever age they might be.

Welfare pensions exemplify not only the promotion of inequality by the welfare state, but the way in which individuals respond in a rationally self-interested manner to a welfare system, and not in the socially concerned way suggested by Titmuss. Michael J. Boskin has observed that the retirement decisions of elderly Americans are now determined by the prospect of an income-guaranteed pension (with substantial tax advantages) rather than by declining health.[37]

It is unsatisfactory to argue that those socially inefficient incentives that operate in welfare states are aberrations easily correctable by the political process; the whole rationale of the citizenship school (though not of the welfare theorists who rest their case on rights and needs) depends on a superiority of the state over the market which is here called into question. The fact that the middle classes have been most assiduous in pressing for the retention of their privileges through the voting system should have suggested to the welfare philosophers that a more efficacious way of bringing about desirable social ends would be constitutional reform, rather than the belief that the institution of a welfare state would somehow change human nature.

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Given that observers, both those sympathetic to some public activity in the relief of avoidable indigence and those actively opposed to it, have agreed that existing welfare states in the West are vast and inefficient bureaucracies which in their behavior rarely fulfill the ideals that are alleged to justify them, it is a very serious question as to why they persist in their present form. It seems to be the case that welfare states have lives of their own and display an institutional autonomy that guarantees their survival irrespective of informed and critical opinion. This may be because their loose structure permits well-placed groups to exploit them for their own advantage, and therefore gives such groups every incentive to work assiduously for their expansion, or because the welfare ideal has become so beguiling as to be permanently resistant to critical analysis. It is just as likely to be a combination of both causal factors: a process of sectional advancement sanitized by a superficially appealing ideology.

The disarray that is evident within the structure of the philosophy of the welfare state, the heterogeneity of its justificatory principles and the conflicts that this so readily generates, suggest that there is something radically defective in the whole theory. It seems not to be the case that the typical policies and institutions of the welfare state flow ineluctably from a coherent ethical theory but rather that those political arrangements are believed in anyway, irrespective of any plausible normative argument. This is why the philosophy of the welfare state appears to be so indeterminate and, indeed, often looks to be no more than a loosely structured set of *ad hoc* generalizations. This is revealed most damagingly in the fact that the philosophy of the welfare state tries to do two radically different things: to provide a justification for the relief of poverty—a type of public-good role—and to validate the collective delivery of what are in reality *private* goods, for example, health care, education and pensions.

Classical Liberal Incoherence

The principles that are said to underlie contemporary welfare states show either considerable internal incoherence or an uncertain relationship with existing welfare practices. It is important to note here that classical liberal welfare policies are no better, and in some respects, are the least satisfactory of all. It is seldom noticed that Milton Friedman's welfare theory is in some respects not that dissimilar to the more orthodox social-welfare schools.[38] Its rationale rests upon the existence of significant altruism amongst most people. The only reason that altruism is not translated into adequate private charitable action is the existence of a familiar public-goods problem. Friedman writes:

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> I am distressed by the sight of poverty; I am benefitted by its alleviation; the benefits of other people's charity therefore partly accrue to me. To put it differently, we might all of us be willing to contribute to the relief of poverty, *provided* everyone else did.[39]

Thus some compulsory welfare is justified not on paternalist grounds but for the reason that the relief of poverty benefits everybody. Anti-paternalism is satisfied by the fact that benefits should be in the form of cash (the Negative Income Tax) and that there should be few restrictions on how it may be spent.

As has already been noted, however, the evidence is that a Negative Income Tax produced the worst results of all in terms of the creation of dependency, defection from work, marital breakdown and so on.[40] These are, of course, neoconservative moral criteria rather than liberal ones. A subjectivist such as Friedman cannot avail himself of them, though he could demand that the Negative Income Tax be kept as low as possible. Nevertheless, it can nowhere be stated in liberal theory what the level of income support should be: if it is too high then its cost would be horrendous, yet how low would it have to fall if its unwelcome side-effects were to be avoided? In strict liberal theory, the level at which it is fixed should reflect the preferences for welfare that exist in a society rather than some crude utilitarian calculation of the likely effects of various levels. Thus, what is required is some constitutional rule which would enable such preferences to be more accurately expressed—if indeed they exist to the extent suggested by Friedman.

This point suggests that there should be a more general consideration of the role of constitutionalism in social welfare theory. For it is surely plausible to suggest that majoritarian democracy has permitted the middle class to capture the welfare state by encouraging people to vote for packages of policies that reflect their private interests rather than the general interest they have in a beneficent (and efficient) welfare system. It should be noted here that I am not suggesting that there should be some kind of constitutional right to, say, well-being, but rather a procedure (perhaps a two-thirds majority rule) for the delivery of what liberals, and others, consider to be a public good.

Welfare-State Incoherence

The present disarray in welfare philosophy and welfare in practice suggests two things. First is the pessimistic conclusion that any state welfare scheme is likely to have unintended and undesirable consequences if the "constants" of human nature are indeed constant, as they appear to be.

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Second is a slightly more optimistic conjecture that these constants do not necessarily preclude a different form of welfare delivery: a form which exploits more effectively the capacity for moral action (upon which all democratic welfare theory depends) that exists in a society.

This latter argument depends on there being a notion of moral duty that is neither the limited one characteristic of formal and anonymous market relationships nor the scarcely realizable altruism described in Titmuss's welfare theory. One should not however, underestimate the possibility of genuine altruism in market societies. This latter point is reinforced by the evidence that charitable donations increase as the tax rate falls.[41] It is not implausible to suppose that people feel that in high-tax regimes their moral duties are exhausted by the fact of high taxation itself.

Given that welfare philosophers themselves agree that the welfare state has "failed" in important ways, some reconsideration of voluntary methods of welfare provision which have historically developed would be opportune. "Mutual aid" associations, governed by what Sugden calls the principle of "reciprocity,"[42] may be one way in which some of the moral demands of the community-and-citizenship school may be (and are being) met.

The important point about the duties that arise out of reciprocity, i.e., out of self-perpetuating mutual bonds between people, is that they exemplify the possibility of a morality based on *conventions*. The trouble with the justificatory principles analyzed above—rights, autonomy, citizenship and so on—is that they cannot command that agreement from people which would legitimate their imposition on a diverse and pluralistic society. It should be stressed that the purely negative rights of the type exemplified in Nozick's political philosophy are open to precisely the same objection (and this is just one of the reasons why a withdrawal of established welfare services merely because they violate alleged "Lockean" rights would be morally impermissible).[43]

Conventions develop spontaneously, are self-reinforcing and do not depend upon a universal altruism. Of course, it does not follow that they will always hold without the intervention of some external agency, especially where large numbers are involved. But it is quite *likely* that in the absence of state welfare, moral duties not based on altruism could be sufficient to generate *social* welfare. Indeed, there is some historical evidence for this. It should also be noted that the conventional moral duty to relieve indigence exists alongside the normal private arrangements via insurance which have every claim to be as "efficient" as the state's. Even the problem of large numbers does not entirely invalidate the claim that private giving could provide in significant measure for the relief of indigence. For welfare is not quite like the conventional public goods: it can be

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provided in discrete amounts privately and this action would benefit at least *some* individuals. It is, for this reason, unlike clean air or national defense.[44]

No doubt the extent of such duties may be inadequate to meet the demands of the social-welfare philosophers: people well-disposed towards the relief of indigence are still likely to come up against public-good problems. However, it is the case that the welfare state, delivered by normal democratic methods, is not all that *sensitive* to the moral sentiments that do exist in a community. Here the evidence of the middle-class capture of the welfare state is compelling. Hence, it seems to me that progress in welfare philosophy will come not from the elaboration of abstract ethical principles but from the construction of constitutional rules to translate these sentiments into practicable schemes.

A tension remains, nevertheless, between two equally plausible propositions. One holds that there is a moral obligation on the state to relieve cases of indigence; the other that voluntary activities may be sufficient. Both, of course, depend upon there being an appropriate moral sentiment in the community. Given that there is some doubt as to whether the public-goods problem could be entirely surmounted in order to deliver what is thought to be a desirable provision by individuals taken separately (though there is surely no doubt that some would be generated in the absence of the state), there is, at least, a prima facie case for a minimum role for public authorities. The more pressing cases are those welfare entitlements in the status quo which it would be immoral for the state to abrogate, even though they often necessitate the provision of what are in reality private goods.

NOTES

1. For a Marxist critique of the welfare state, see I. Gough, *The Political Economy of the Welfare State* (London: Macmillan, 1979).
2. See Julian Le Grand, *The Strategy of Equality* (London: George Allen and Unwin, 1982).
3. See George Gilder, *Wealth and Poverty* (New York: Basic Books, 1981), for a populist expression of this sentiment. See also Lawrence Mead, *Beyond Entitlement: The Social Obligations of Citizenship* (New York: Free Press, 1986). Mead argues that the indiscriminate payment of welfare irrespective of any reciprocal obligation on the part of the recipient has produced an anti-work social ethic. What encourages this attitude is the persistent appeal of traditional American anti-authoritarian and libertarian values in an area where they are most inappropriate. Therefore what is required is not simply a cutback in welfare expenditure but an insistence that what-

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ever welfare is paid is linked to some social contribution from the recipient. This is the ideological justification for "workfare."

4. Robert Sugden, *Who Cares?* (London: Institute for Economic Affairs, 1983), 21–8.
5. John Rawls, *A Theory of Justice* (Oxford: Blackwell, 1972), 75.
6. Robert Nozick, *Anarchy, State and Utopia* (Oxford: Blackwell, 1974), 30–35.
7. See Ian Forbes, ed., *Market Socialism: Whose Choice?* (London: Fabian Society, 1986).
8. For an excellent discussion of these problems, see Alan Hamlin, *Ethics, Economics and the State* (Brighton: Wheatsheaf, 1986).
9. Philip Pettit, "Towards a Social Democratic Theory of the State," *Political Studies* 35 (1988): 538.
10. See Thomas Sowell, *Markets and Minorities* (New York: Basic Books, 1981).
11. Raymond Plant, "The Social Limits to Markets," *Economic Affairs* 7 (1987): 18–22.
12. *Ibid.*, 19.
13. For a critical discussion of this, see Robert Goodin, *Protecting the Vulnerable* (Chicago: University of Chicago Press, 1985), ch. 3.
14. Raymond Plant accepts the force of some of the "public choice" school's critique of public agencies in the delivery of welfare; see "Social Limits to Markets," 20.
15. Albert Weale, *Political Theory and Social Policy* (London: Macmillan, 1983), 28.
16. H.L.A. Hart, "Are There Any Natural Rights?" in A. Quinton ed., *Political Philosophy* (London: Oxford University Press, 1967), 55–6.
17. "Moral hazard" occurs in insurance markets when a potential beneficiary of a policy takes deliberate action to secure the benefit, e.g., when a person who insures his house against fire then burns it down.
18. Alan Hamlin, "Rights, Efficiency and Commensurability," in Charles Sampford and D.J. Calligan, eds., *Law, Rights and the Welfare State* (London: Croom Helm, 1986), 97.
19. Plant, "Needs, Agency and Rights," in *Law, Rights and the Welfare State*, 29.
20. Alan Gewirth, *Reason and Morality* (Chicago: University of Chicago Press, 1978). Gewirth's complex argument is lucidly summarized in "Private Philanthropy and Positive Rights," in Ellen Frankel Paul, Fred D. Miller, Jr., Jeffrey Paul and John Ahrens, eds., *Beneficence, Philanthropy and the Public Good* (Oxford: Blackwell, 1987), 55–78.
21. Gewirth, "Private Philanthropy and Positive Rights," 64–9.
22. *Ibid.*, 65.
23. This is essentially the "Georgist" argument; see Henry George, *Progress and Poverty* (London: William Reeves, 1884).
24. Gewirth, "Private Philanthropy and Positive Rights," 68.

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25. David Harris, *Justifying State Welfare* (Oxford: Blackwell, 1987), 160–61.
26. Goodin, 125–8.
27. Weale, 42.
28. F.A. Hayek, *The Constitution of Liberty* (London: Routledge and Kegan Paul, 1960), 11.
29. Weale, 51.
30. *Ibid.*, 58.
31. J. Griffin, *Well-being* (Oxford: Clarendon Press, 1986), 236.
32. Harris, 145.
33. *Ibid.*, 53. However, Harris himself is not entirely consistent on this. He also argues (151) that it would be mistaken to regard "commitment to universality and the provision of services in kind as a necessary consequence of adhering to citizenship theory."
34. See Le Grand, *The Strategy of Equality*, chs. 3, 4 and 5.
35. See M. O'Higgins, "Egalitarians, Equalities and Welfare Evaluation," *Journal of Social Policy* 16 (1987): 1–18.
36. See N.P. Barry, "The State, Pensions and the Philosophy of Welfare," *Journal of Social Policy* 14 (1985): 467–90.
37. M.J. Boskin, "Social Security and Retirement Decisions," *Economic Inquiry* 15 (1977): 1–25.
38. But see Sugden, 16–17.
39. Milton Friedman, *Capitalism and Freedom* (Chicago: University of Chicago Press, 1962), 190.
40. Charles Murray, *Losing Ground: American Social Policy 1950–80* (New York: Basic Books, 1984), ch. 11.
41. J. Obler, "Private Giving in the Welfare State," *British Journal of Political Science* 11 (1981): 17–49.
42. See Robert Sugden, *The Economics of Rights, Co-operation and Welfare* (Oxford: Blackwell, 1986), ch. 9.
43. Classical liberals who take a subjectivist view of ethics have to accept the welfare entitlements in the status quo since their unilateral removal would involve the imposition of one set of values on others. For an analysis of the intractability of the welfare problem for individualists, see N.P. Barry, "Can There Be a Classical Liberal Public Policy?," *Il Politico* 50 (1988).
44. This was suggested to me by Jeffrey Friedman.

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Lars Trägårdh

SWEDISH MODEL OR SWEDISH CULTURE?

The historical roots of the Swedish welfare state are surveyed in an attempt to show how culture accounts for certain peculiarities of the "Swedish Model," as compared to other welfare states like Germany or the U.S. It is argued that most of the sociocultural patterns that have become firmly associated with the past fifty years of Social Democratic hegemony in fact are of ancient origins and are perhaps most aptly described as simply "Swedish." From this perspective the relevance and usefulness of the Swedish experience for the reformers in Eastern Europe are also considered.

As the former communist states in Eastern Europe rush to create new societies based on the twin pillars of capitalism and democracy, a steady flow of economists, political scientists, and politicians shuttle back and forth between Eastern Europe and the West in search of a usable model. This search is complicated by an emerging and apparently profound crisis of the West European and American welfare states which makes it difficult to embrace any welfare-state model with a great deal of confidence. It is against the backdrop of this situation that I wish to address myself to the

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following questions: how did the welfare state par excellence, that of Sweden, develop historically; and what lessons might there be in the Swedish experience for the builders of new political and economic cultures in Eastern Europe?[1]

The Swedish Welfare State before Social Democracy

The emergence of the Swedish welfare state has fascinated observers ever since the 1930s, when Sweden was first dubbed the "Middle Way" by Marquis Childs. In the wake of the Depression and the rise of Soviet Union, the Swedish experience seemed to hold promise for those looking for a compromise between unrestrained laissez-faire capitalism and totalitarian communism. Others, less sympathetic to such ideals, have seen in the Swedes "the new totalitarians" of Huxley's brave new world, a society far too controlled by its government.[2] Both interpretations have been common in the U.S., where the success of the Swedish "model" often has been taken as an implicit criticism of American assumptions about unemployment and inequality as unfortunate but necessary characteristics of the competitive free-market system. American "liberals" have, much in the spirit of Childs, held up Sweden as a model for what should be done in the realm of social policy and programs, while conservatives have pointed to what they have seen as ominous signs of emerging socialism and moral decay. Historically their concern with the dangers of "Swedish Socialism" is well represented by the Cold War rhetoric of Dwight Eisenhower who, during the 1960 Republican convention, referred to Sweden as "a fairly friendly country" which followed a

> socialist philosophy and whose rate of suicide has gone up almost unbelievably and I think they were almost the lowest nation in the world for that. . . . Drunkenness has gone up. Lack of ambition is discernible on all sides.[3]

As contradictory as these visions of Sweden are, they have stuck in the popular imagination. Rarely, however, has this interest extended far beyond reductionist and often simplistic discourses on the so-called Swedish model, whether cast in darker or lighter colors. This is unfortunate, as the Swedish experience is interesting not so much because it is a coherent and rational "model," to be copied or criticized as such, as because it presents an opportunity to observe just how complex and "irrational" a welfare state can be, characterized far more by contradictions and unintended consequences than by anything approaching economic planning or social engineering. This is particularly striking because in Sweden so much of the political debate, especially since the beginning of Social Democratic

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predominance in the 1930s, has been carried out by economists and political scientists whose ambition indeed has been to "rationalize" Swedish society. As I hope to show, what stands out far more than their success in this mission is the extent to which they have operated within peculiarly Swedish cultural constraints on the one hand, and international economic ones on the other.

Swedish welfare policies have a long history. Since the prohibition of the Catholic Church in the sixteenth century, local communities were, under the provisions of Poor Laws, responsible for their own poor, old, and sick. These laws were designed to distinguish between the "deserving" or "honest" poor and those considered to be lazy vagabonds: aid was to be given only those who were both "deserving" and who actually came from the local community. However, the rapid increase of landless rural laborers during the first part of the nineteenth century, associated with land reform, incipient industrialization and accelerated population growth, rendered the old system of Poor Relief progressively less able to answer the budding "social question." In the work of the Poor Relief Commissions set up in 1839 and again in 1870, one can note the gradual realization that a new category of poverty was emerging: unemployment. The 1870 Commission's work resulted in leglislation which made employers responsible for laid-off workers they had brought into the community.

Due to the extraordinary extent of Swedish emigration to the U.S. during the last decades of the nineteenth century, the unemployment issue was, however, overshadowed by the fear that Sweden's national strength was being depleted and that the greatest danger to Swedish society, and its rapidly growing industry, was a labor shortage. Furthermore, the emigrants were often peasants or farm laborers, rather than industrial workers, as poverty and famine tended to strike hardest in rural areas. These facts tended to shift the debate away from proposals for Bismarckian-style worker's insurance, towards universal pension plans, taxation reforms, universal suffrage, and homestead acts which affected the entire, still predominantly rural, population. At the political level, the dominant position in the Swedish parliament of the landed elite, including the land-owning peasantry, at the expense of the Liberals and the emerging Social Democrats, pushed the latter two into a lasting alliance based on the common goal of suffrage reform. Thus in Sweden, unlike Germany, a liberal-socialist alliance was pitted against the traditional elite. In the process the radicalism of the socialists was moderated, as were the laissez-faire convictions of the liberals. The common ground became social liberalism and civil liberties: the struggle for social reform and suffrage rights.

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These peculiar circumstances—rapid industrialization, massive emigration, and a mutually moderating social-democratic/liberal alliance—created the conditions for a surprisingly broad consensus in the area of social welfare legislation. Social conservatives favored universal programs from their paternalistic position; the liberals and the Social Democrats did the same, as they had come to speak not only for business interests and craftsmen on the one hand, and the industrial working class on the other, but also for landless laborers and small peasants.

This was evident in the shift in political language from a concern with "workers" to one with "the people," *Folket*, or *Småfolket*, the little people. It is characteristic of this broad convergence that two concepts which were to dominate Germany and Sweden respectively in the decades to come were first coined by the right-wing social conservative, Rudolf Kjellèn. He first used the terms "national socialism" and *Folkhemmet* ("the people's home," the slogan later recoined by the Social Democratic leader and "architect" of the post-1933 Swedish welfare state, Per Albin Hansson). He also spoke favorably about the Social Democrats, whose anti-liberal ideas about the role of the state and the social question he shared. Thus he embodied the consensus of Social Democrats, social liberals, and social conservatives that culminated in the precedent-setting universal *Folkpension* (people's pension) legislation of 1913.[4]

These early developments, pre-dating Social Democratic hegemony, set a pattern which became typical for the Swedish and Scandinavian social security systems. As Bent Rold Andersen has pointed out, while "most countries on the continent adopted the principles of Bismarck's 'workingmen's insurance' as their basic model of cash benefits," this never became the case in Scandinavia.[5] Instead of an insurance system based on contributions and risk calculations, inspired by voluntary private insurance schemes, the Nordic system is "characterized by being run by nationalized agencies, integrated in the governmental public sector, financed primarily through the revenue of general taxation, and providing benefits conditioned on citizenship, not on previous occupation, income and contributions."[6] This system has thus been called "people's insurance," as opposed to the Bismarckian "workingmen's insurance" schemes.

The principle of universality is one very important reason that social welfare programs in Sweden by and large are supported across the board. The situation is analogous to the case of Social Security in the U.S. As opposed to transfer programs like AFDC and food stamps, which are aimed only at the poor, Social Security is not stigmatizing in nature and, partly for this very reason, enjoys general support. Like

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the Swedish programs, it presents a political problem mainly in terms of its financing, not at the level of principle.

Keynesian and Active Labor-Market Policies

The crash of 1929 and the ensuing Depression had very fortunate consequences for the Swedish Social Democrats. After a major defeat at the polls in 1928, largely due to the unpopularity of their proposed nationalization program and the successful manipulation of "red scare" themes by the conservative and liberal parties, they were free to blame the ruling liberal governments for the economic crisis. Furthermore, the Swedish Social Democrats were among the first to embrace Keynesian economic principles, and they thus possessed (perceived) alternatives to the unpopular austerity measures promoted by the incumbent government. In 1933 they forged a long-lasting political alliance with the Peasant party, on the basis of Social Democratic acceptance of tariff protection for Swedish agriculture in exchange for Peasant party support for counter-cyclical public works and other labor-market interventions aimed at artificially heightening demand (and thus cutting unemployment).

In 1938 a collective bargaining pact between the national trade union organization and the employers' association further solidified the new corporatist order. This pact not only assured Sweden of a long period without economically and politically divisive strikes, but also further strengthened organized labor and big business. The state left the wage-negotiating process to the contending parties and has stayed out of labor conflicts. Thus there is in Sweden no such thing as a "minimum wage"; rather, the (by international standards) egalitarian wage structure is a result of solidaristic union wage policies pursued within the framework of labor union–employer association agreements. Equality in this respect, far from being imposed by a "socialist" government, is the result of free-market negotiations between labor and industry, and is ultimately an expression of deep-rooted cultural values with respect to "fairness" and "equality," to which I shall return below.

Central to this new order was a firmly pro-market, pro-growth attitude on the part of the Social Democrats. In fact they based their vision of a decent and egalitarian society not only on a faith in continued economic progress in general, but specifically on the continued fortunes of Swedish capitalism, and especially the giant, multinational, export-oriented industries. All plans for the socialization of industry were quietly dropped in favor of more subtle ways of regulating the capitalist economic system (through investment schemes, the building of infrastructure, worker

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training and retraining, etc.) with the primary goal of ensuring full employment in the private sector.[7]

The business sector has found these policies easy to accept, as they have not interfered directly with the principle of private ownership but, in fact, have liberated business from costs associated with retraining and relocating workers during periods of structural economic change. Another expression of the pro-business approach of the Swedish Social Democrats is the low rate of corporate taxation in Sweden. Given Sweden's reputation as a high-tax country, this requires explanation. However, it makes perfect sense within the Swedish worldview. Low corporate taxes promote the viability of private enterprise, the motor of the Swedish economy. At the same, time high personal taxes pay for the egalitarian distribution schemes fundamental to the provision of equal opportunty. Typical for the post-1933 Swedish political alignment is that the ill-fated Liberal-Conservative-Farmer's party alliance of the late 1970s nationalized more private industry during its six years in office than had the Social Democrats during the preceding forty. Accordingly, when it became apparent in 1982 that the Social Democrats had won the election, the stock market reacted bullishly.

Swedish Democracy and the Concept of Solidarity

Whereas most non-Scandinavian welfare programs are based on a mixture of charitable altruism and the insurance principle and aim for both a sense of individual responsibility and fiscal soundness, in Sweden and the rest of Scandinavia a third principle has been dominant: that of solidarity.[8]

This principle is a mutation of the ideals of *fraternité* and *egalité* (from the French Revolution) which were picked up by the so-called popular movements (*folkrörelserna*), in particular the labor movement, during the latter half of the nineteenth century. These collectivist and anti-elitist notions collided and fused with the Swedish popular tradition which linked the peasant estate to the monarch in an anti-elitist alliance against the aristocracy. The successes of this alliance had resulted not only in long periods of absolute monarchy but also in the unique position of the Swedish peasantry, which was never enserfed and always remained represented at the national level in the Peasant Estate.

It is important to note that here lie the historical roots of both the Swedish democratic tradition and popular Swedish statism. The contrast with the British (and therefore American) tradition is striking. There, pluralist democratic values grew out of aristocratic (gentry) opposition to absolutist monarchy. In the U.S., anti-statist sentiments were further

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deepened by the experience of religious minorities struggling against the Church of England. Populism in the U.S. has thus been anti-"big" and anti-"central," while the Swedish *folklighet* is largely devoid of principled anti-statist tendencies.

The Swedish Social Democrats succeeded in becoming the inheritor party of this popular, anti-elitist but pro-statist tradition, especially after forging the 1933 alliance with the Peasant party, until that time a close ally of the Conservative Party.[9] It is the strength of this tradition which has led not only to the solidaristic wage policies of the trade unions, but to much of Swedish welfare policy as well. These values, so fundamental to the Social Democratic vision of the welfare state, are succinctly summed up in Per Albin Hansson's slogan *Folkhemmet*: the home for the people. This is the Swedish, anti-elitist, social-democratic variant of the German *Volksgemeinschaft*,[10] highlighting the underlying ideological affinities between social conservatives and their socialist adversaries.

A major difference between Sweden and Germany is that whereas in Sweden the Social Democrats have been the prime movers, dominating the political scene since 1933, the German welfare state has largely been the result of efforts by conservative regimes from Bismarck through Hitler and Adenauer to Kohl. Symptomatically, while both Sweden and Germany can boast of very complete welfare-state systems riding on the backs of extraordinarily efficient and productive export industries, it is Germany that is famous for its economic miracle, while Sweden has become known as the archetypal welfare state. To no small extent this is the result of the image-making efforts of Swedes and Germans; Swedes have been genuinely proud of the welfare state as such, while Germans have tended to take corresponding pride in their status as an economic great power. Pride in the egalitarian aspect of the "Swedish Model" has led to an underplaying of the astounding success of the Swedish private sector, which has indirectly paid for the ambitious welfare policies of the Social Democratic governments. Not suprisingly, official Swedish propaganda, often dominated by self-serving Social Democrats, has tended to emphasize the role of the Party as the creator of modern Sweden, and to take full credit for "Sweden's development from Poverty to Affluence."[11]

For the Germans, much in the Bismarckian tradition, the welfare state is not an end in itself. True, the concepts of *Volksgemeinschaft* and *Folkhem* are both variations on the same underlying "Germanic Ideology," but in the German case notions like solidarity and equality are secondary to the high levels of health, education and social peace thought to be essential lubricants for the economic machine. The Swedish discourse on the "home of the people" is a secularized and politicized version of Christian notions of

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brotherly love and the equality of all men in the eyes of God, and its roots in the Jacobin tradition and the ideas of French Revolution are obvious, while in Germany these ideas have retained more of their original Christian and paternalistic form under the Christian Democrats. This difference partly accounts for the egalitarian, anti-elitist, and individualist thrust of Swedish welfare-state policies and the much more traditional, elitist, and pro-family character of corresponding German policies. One expression of these differences is that whereas in Sweden unemployment is the big enemy, as it primarily affects the wage-earners, it is inflation that holds a similar place in the German political imagination. This is not only because of Germany's collective memory of the great inflation of 1923, but also because inflation and fiscal instability in general are bad for business, a major supporter of CDU. While the Swedish Social Democrats have been remarkably pro-business, this enthusiasm has been pragmatic in nature. Their support of business and the free market have been rooted neither in a love for business as such nor in a principled commitment to the free market, but rather in their primary goal of ensuring full employment and (relative) material equality for their "clients," at first narrowly defined as "the workers," then broadly as "the people," and more recently in modern, technical terms as "wage-takers."

Swedish Family Policy

However, it would be misleading to reduce the spirit of the Swedish welfare state to statist collectivism and egalitarianism. As central as labor-market policy and trade union–employer association agreements have been to the development of modern Swedish society, another set of welfare institutions must be traced back to a different crisis of the 1930s.

During that decade Sweden had the lowest birth rate of all Western democracies, an intensification of a long-term trend which prompted Gunnar and Alva Myrdal to publish an essay on what they called a "crisis in the population question."[12] The Myrdals suggested that unless the government took concerted action, Sweden would not be able to sustain itself in purely demographic terms. They called for a pro-family policy which was to include such programs as improved pre- and post-natal care, birth control, family education, child care, redistribution of income on the basis of family size, and other social services designed to aid parents, all in the service of "defending," as Alva Myrdal wrote, "the pleasures of young couples."[13]

Thus the initial objective of Swedish family policy was to make society "child-friendly" by supporting the family. However, the Myrdals were also driven by a desire to rationalize the upbringing of children, an aspect

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of their and other leading Social Democrats' over-all commitment to social engineering. On the one hand this involved the problematization of what had hitherto been thought of as a "natural" activity: that of being a mother and wife. Much effort was thus put into professionalizing women within the home through various educational schemes. On the other hand, the Myrdals also argued for increasing society's role in the all-important task of creating children fit for their dream of a perfect socialist society. Parents were, after all, steeped in the old, far less-than-perfect ways, and thus could not be trusted with such a critical task.

However, a second stage in the development of Swedish family policy that in fact did significantly enlarge the scope of collective child care only came much later, in the 1970s, and then in a rather different context from that of the early concern with birth rates. By now the critical issue was that of *jämställdhet*, equality between the sexes. Whereas the reforms during the first phase were aimed at professionalizing Swedish mothers and encouraging larger families through economic incentives, the later ones were meant to allow men and women alike to both work and parent. Thus the *föräldrapenning*, the "parent wage," could be collected by either the father or the mother, or split between them. However, men have shown themselves to be remarkably unenthusiastic about the idea of trading the traditional role of worker for that of father, and thus the parent wages, in combination with a vast network of day-care centers, have in fact primarily served women caught between the desire to work and the demands of motherhood. The men's reluctance to relinquish their power in the world of business, bureaucracy and politics, along with the women's continued preference for "human services" jobs, has, ironically, simply moved sex differentiation from the family to the labor market. Women have gone from being "natural" mothers and wives, through the stage of being professionalized mothers *in* the family, to becoming professional mothers (nurses, social workers, day-care workers, etc.) in the public sector.

While these policies, at least until the very recent baby boom of the late 1980s, have had no visible effect on Swedish birth rates, they nonetheless have put a very noticeable stamp on Swedish society. Sweden now has among the world's lowest infant mortality rates, among the highest density of child-care facilities, and an extraordinary percentage of women in the labor force. Such benefits as universal monthly child-support payments and an eighteen-month paid leave from work divided between the father and the mother are considered natural rights, just as are universal pension plans and national health insurance. A less obvious consequence is the general liberation of the individual from family constraints, or, differently put, the decline of the family. Some of these consequences were more or less intended, others most certainly not.[14]

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Swedish Individualism

I noted earlier that much of Swedish family policy was originally motivated by a concern over low birth rates, but that other organizing principles, those of individual freedom, the "pleasures of the young couple," and eventually equality between the sexes came to play increasingly important roles. It is often not clearly understood to what extent the assumption by the state of previously familial duties such as care for the young, sick, and old has freed Swedes as individuals. Their independence, even when very young, is remarkable. There is no need for eighteen-year olds to seek help or approval from their parents concerning their education, nor need older Swedes rely on their children in dealing with health problems, child care, or care during old age. While many foreigners, especially those to whom the family is a sacred social institution, will bemoan this development and speak of the alienated and cold-hearted, even asocial Swede, such complaints are remarkably rare among Swedes themselves. The only political party which openly embraces a conservative position on traditional family values, the Christian Democratic Party, has never managed to win the 4 percent of the total vote required to gain representation in the *Riksdag* (Parliament). Indeed it is characteristic that when conservatives recently attacked Social Democratic day-care policies, it was by pointing to their failure to live up to a campaign promise to provide *all* Swedish families with day-care facilities. They did not elaborate an otherwise theoretically plausible critique of how Swedish family policies serve to undermine the family.

Rather, most Swedes seem to agree that without the alliance between the state and the individual, the improved position of women, children and the elderly—the freedom of women from the tyranny of men, children from the tyranny of parents, and all individuals from the tyranny of the family—would have been impossible.[15] From this perspective it appears oddly ironic that libertarians and classical liberals, in their rejection of the state in the name of individual rights, would submit the individual to the power and terror of the family and small community. Sentimentality about the family and the small community appear dubious, if not offensive, not only because in fact the family so often is simply not there to help when the need arrives,[16] but because when the family, small community, or commune is there, the type of power that is being exercised is usually informal, leaving victims of abuse in the double bind of having to reject "love."

Equal opportunity for all individuals, not the levelling of difference per se, is the Swedish ideal. Swedish policies are designed to give equal "first chances" to everybody, as opposed to U.S. welfare programs, which aim

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at the very different goal of easing outright poverty or, at best, offering "second chances." This is reflected in traditionally high rates of Swedish social mobility, possible only because individuals are freed from the unequal positive and negative constraints of the family. Indeed, what is particularly Swedish is the co-existence of an unusually high degree of concern over the granting of such initial equal opportunity with an extraordinarily competitive society at all levels beyond the ground floor of equality.

Thus, what at first may appear as a "collectivist" policy turns out to serve the liberation of the individual to a very extreme degree. By contrast, for all the rhetoric about individualism in the U.S., the American remains very much tied to his or her family. The thrust of American-style individualism is the protection of the private sphere—the family—from intrusions by government and the public sector. But precisely because the private sphere is protected, American individualism ends up in practice as the freedom of the male patriarch from statist interference. This explains the alliance of anti-government American libertarians with social conservatives against statist social and economic reformers. The tension between individual freedom and the sanctity of the family, which is so evident in American political discourse, does not play a major role in Sweden. Rather, it has been perceived that the dismantling of the traditional, male-dominated, hierarchical family structure is a necessary step before a new, more egalitarian family can be reconstituted within the larger framework of a democratic society characterized by an absence of traditional sex bias and discrimination.

Individualistic Swedish policies should not be understood, however, as part of a plan to free the Swedish individual. Rather, a pre-existing Swedish culture of individualism both makes possible "anti-family" welfare policies *and* explains why there is virtually no public concern over "the decline of the family." Beyond the very real and fierce debates over the cost and efficiency of Swedish welfare programs, there lies a deeper cultural "choice" in favor of the state–individual alliance against the family and the small community, just as what makes Swedish popular democracy both statist and anti-elitist is its genesis in the pre-modern alliance between the monarchical state and the peasant estate against the aristrocracy.[17]

The Swedish Work Ethic, Unemployment and Economic Success

Along with egalitarian and individualist values, other key characteristics of Swedish culture are the work ethic, a high level of education, and a great degree of social mobility. From the simultaneous existence of equal

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opportunity and a competitive work ethic follow much of the dynamism and economic success of Swedish society, but also certain of its built-in contradictions. The egalitarian thrust of Swedish society is in fact partly offset by a desire to reward hard work. Particularly since the 1950s, programs have been enacted which benefit the middle classes and the well-to-do *more* than the relatively poor. For example, the supplementary pension system is designed to compensate retirees in proportion to their income during their best fifteen years of income. Similarly, unemployment and sickness benefits are linked to income.

The right to work is a given; as we have seen, full employment has been one of cornerstones of Swedish economic policy. But this is not a matter merely of compassion for the unemployed. For Swedish culture is dominated by an implicit, informal *obligation* to work. What is interesting about the infamous Swedish propensity towards suicide is not its frequency but the circumstances most likely to drive a Swede to such an extreme measure: studies of Swedish suicide etiology indicate that Swedes commit suicide when they fail at work. On the other hand, unlike, for instance, the Danes, Swedes do not appear at all as likely to commit suicide due to failures in interpersonal relationships.[18]

Harking back to the old distinction between the honest and dishonest poor, Swedes link the values of decency, fairness, solidarity and freedom to a demonstrated will to work. Unemployment in Sweden is at the moment of writing barely measurable, and great efforts are currently underway to train and integrate even those who are medically handicapped into the labor market. The emphasis on labor-market policies and full employment (which in Sweden means 1 percent or less, not, as in the U.S., 4 percent or less), grows out of a deep-rooted feeling that dignity depends on having a job. However, it is not necessarily the case that low Swedish unemployment rates are the result of interventionist policies, though many Swedes, and not only Social Democrats, would assume so. Rather it is the deep-seated obsession with work itself, an ethic whose historical origins predate Social Democracy by several centuries at least, that drives Swedes both to work and to construct policies, effective or not, designed to ensure them enough work. The collective commitment to what is also a profound individual concern serves purposes that might be more effective psychologically (and thus politically) than economically. Indeed, most economists would likely agree that no domestic labor policy, no matter how inventive and sensitive to the market and to private enterprise, would alone sustain the competitiveness of Swedish export industry; nor would they be of much help in the face of a major international recession. (However, we must not belittle such efforts merely because they do not constitute long-term solutions to unemployment; they are in fact

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designed as "bridges," to protect the dignity of people caught by downswings of the business cycle or whose skills have become obsolete.)

A comparison between the American and British programs that have been analyzed by Charles Murray is instructive. Murray found that during the 1960s and 70s, social policy in the United States and Britain "fundamentally changed what makes sense."[19] Well-intentioned but ill-conceived welfare programs encouraged young men not to work and young women to make and keep babies without getting married or cohabiting with the fathers. This should have been no surprise, argues Murray, quoting Benjamin Franklin: "In short, you offered a premium for the encouragment of idleness, and you should not now wonder that it has had its effects in the increase of poverty."[20] That is, transfer programs necessarily ended up producing (and reproducing at increasing rates) an underclass:

> No matter how much money we spend on our cleverest social interventions, we don't know how to make teenagers who have grown up in an underclass culture into steady workers, we don't know how to make up for the lack of good parents, and, most critically, we don't know how to make up for the lack of communities that reward responsibility and stigmatize irresponsibility.[21]

Murray's own account points to the difficulty of extending his thesis to Scandinavia, however. He notes in reference to Britain that "my sources indeed ascribe the problem to the surge in unemployment at the end of the 1970s."[22] The fundamental problem was the prior existence of unemployment, without which the type of underclass-producing welfare policies Murray criticizes would not have been necessary. As Murray concludes:

> The lesson that Britain is just beginning to learn is that it is irretrievably disastrous for young men to grow up without being socialized into the world of work. By remaining out of the work force during the crucial formative years, young men aren't just losing a few years of job experience. They are missing out on the time in which they need to be acquiring the skills and the network of friends and experiences that enable them to establish a place for themselves. . . . Furthermore, when large numbers of young men don't work, the communities around them break down, just as they break down when large numbers of young unmarried women have babies.[23]

Thus, argues Murray, when we talk about the underclass "we are really talking about phenomena that relate directly or indirectly to the behavior of people in their late teens and early twenties."[24] These young people have either lost touch with the work ethic or never had it in the first place. The tragedy is that, as Murray suggests in his conclusion, there perhaps are no solutions to this new "American dilemma." Once a person has been social-

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ized into being a member of the underclass, it simply is too late. It is this insight which makes Murray's argument both so powerful and so bleak.[25]

It is clear from Murray's analysis that the underclass was not created directly by welfare policies; these policies merely further exacerbated an already bad situation caused by long-term and large-scale unemployment and, perhaps most importantly, an absence (or decline) of the work ethic. Given that unemployment in Sweden is virtually non-existent, at the very same time that Sweden has extended its social security net far beyond that of Britain or the U.S., Murray's claims for a causal relationship between welfare programs and the creation of an underclass requires some nuancing.[26] Thus, while it would, in light of Murray's work, indeed seem questionable to argue *generally* for a beneficial relationship between "welfare" policies and employment rates, generalizations in the other direction fail too, since there is no indication that Swedish welfare policies have turned Swedes into American-style welfare cases.

To find a clearly positive relationship between "welfare" in Sweden and the economy, we must turn to other segments of the welfare system, only indirectly related to the economy. The fundament on which the Swedish "well-faring" society rests is its system of universal and equal education, stretching from day-care to university, and including all kinds of adult schools and training programs. It is here that all Swedes are baptized in the water of Swedish culture and are taught its basic values, including work, equality, freedom, and democracy. Furthermore, it is here that they are trained in the basic skills that will turn them into good workers in their adult lives. Associated with this system are the various family-oriented programs that make it possible for women to work and adults to return to school. However, while the role of the universal school system in both inculcating the "Swedish ethos" and providing a high level of skill is critical, it should also be stressed that the students bring with them from their family environment expectations and values that are crucial to the success of their education. Indeed, as the students try to make sense out of such partly conflicting ideals as equality and cooperation on the one hand, and excellence and competition on the other, these expectations often prove crucial.

High levels of general education pre-date the Social Democratic era and in fact, as we have suggested above, to some extent made Swedish social democracy possible. Already by the seventeenth century, literacy rates in Sweden were considerably higher than elsewhere in Europe. Most observers point primarily to the Church's obligation to teach every Swede how to read basic religious texts, but these high levels of mass literacy must also be related to the presence of a free and politically represented peasantry during the earlier period, as well as to the rapid growth of

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popular political movements in the nineteenth century. Social Democratic emphasis on broad and equal access to education is therefore very much in harmony with long-standing Swedish cultural patterns.

The contrast with the United States is, again, telling. In America, education is of course anything but universal and equal. Richer communities have better schools, and those who are able send their children to private schools, to purchase not only better education but also, and perhaps more important, an advantaged peer group, into whose values the child will be socialized. Again, the American emphasis on the family, the right to send a child to private schools and the distrust of government interference, on the one hand, clashes with the right to equal opportunity of each child regardless of family circumstances, on the other.

In general, then, it appears that much of what has become part and parcel of Social Democratic values, ideas, ideology and programs is simply Swedish, in spite of the claims some Social Democrats make. Social Democratic genius lies less in brave innovation and more in an uncanny ability to sense, interpret and appropriate the national mood. Indeed, this is perhaps the major reason why the Social Democratic programs so painlessly and naturally have become part of the fabric of Swedish society.

What *is* new is the dramatic economic development which catapulted Sweden from being one of the poorer countries of Europe to one of the richest in the world. To what extent can the Social Democrats claim credit for this success? It is exceedingly hazardous to try to establish causal links between economic policies and economic development. At the very least it would seem unlikely that major economic measures on the part of the government would have no effect at all. Certainly this is obvious in the case of the Communist world. Still, it generally appears as if the Swedish Social Democrats have had far less effect on overall economic development than is sometimes thought. Even the Social Democrats themselves agree that luck often has been on their side. For example, even though it is true that they in fact embraced Keynesian counter-cyclical economic policies in the 1930s, it is also true that closer scrutiny of the data indicates that the upturn in the Swedish economy was largely unrelated to these measures and rather depended on the revitalization of the international market, especially the German one, after 1933. Similarly, the Social Democrats benefited from the international recession of the 1970s, which hit in full force during their stint in opposition, as well as the recovery during the 1980s, which coincided with their return to power. In all cases the Social Democrats claimed credit and assigned blame in the most skillful manner. On the other hand, it has been argued that some of the interventionist policies are, at least partly, to be blamed for the relative decline of the Swedish economy since the 1970s.

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The Swedish Social Democrats cannot be seen as particularly adventurous social engineers—certainly not as bold socialists running a command economy. Rather, their political success has ultimately depended on their ability to "read" Swedish tradition, history and culture. They successfully stepped in as inheritors of the pre-industrial popular alliance between the peasants and the king, replacing both; and they remained remarkably sensitive to deep cultural values, a sensitivity which allowed them to construct new forms of social institutions, modern mutations of ancient social and cultural needs, often quite peculiar to Sweden.

The Crisis of the Swedish Welfare State

Even though Swedish political debate increasingly is defined in (neo)liberal terms, it is nontheless still true that, as the important Swedish journalist Arne Ruth wrote in 1984, no "sizeable portion of the Swedish population is seriously disaffected with the basic virtues of the welfare state, even if an increasing number complain about its cost."[27] This is underlined by a recent survey in Sweden which shows that a very large percentage of those questioned find the social welfare system functioning well or excellently. As Ruth's comment suggests, it is in general true that the often fierce debate over the state of the welfare system in Sweden rarely concerns whether there is too much of it, only why there is not enough, and above all, how it can be made less expensive and more efficient. It is fundamentally a controversy over means; very few people would reject such "Swedish" ideals as equality, full employment, or *trygghet* ("security").

There exists, however, a long-term relationship between financing and legitimacy, and recently it appears that here a critical point has been reached. As long as the (continually expanding) welfare system was paid for by an even faster rate of economic growth, the unintended long-term economic consequences of welfare were hidden, at least from the average voter. Since the 70s the growth rate has slowed compared to the rate of growth of the public sector, and it has now become apparent to most Swedes that something has to be done. There is indeed much at stake; rising costs translated into rising taxes have compromised the value of work, a black market in services has emerged, and an increasing number of tax specialists have discovered that much money can be made from discovering tax loopholes.[28] The simultaneous commitment to the basic values underpinning the political consensus in favor of the welfare state *and* the trend towards hypocrisy with respect to its financing, is perhaps most succinctly expressed in the so-called Christmas Eve Theorem: "If a Swede is put before the choice between improved standards in his hospital and a trip to Mallorca, he will prefer both."[29]

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Not suprisingly, the current crisis of the Swedish welfare state has also become a crisis of Swedish Social Democracy, which in turn, as Ruth puts it, is "a crisis of national identity as well."[30] Since November 1989 the party has fallen in the polls from its "normal" level of around 45 percent to 32 percent at the time of writing (December 1990). So far, the great winner has been the "undecided" category, but the Conservatives, who lately have begun to sound neoliberal themes, as well as the small Christian party, whose leader is one of the few to stand up for the family, have also gained in the polls. However, it is not very clear that anyone in any of the political parties has much to offer in facing up to the fact that what economists tell them is correct policy, their political instincts tell them would be suicide at the polls. It is hard to please voters who want to have their taxes cut and also see improved (but free) medical services, universally available day care, renovated school buildings, new roads, and so on. Nor are the problems simply economic in nature; among the unintended consequences of the past fifty years of welfare-state construction are also those affecting the family, including such sensitive issues as child-rearing practices and the emancipation of women. As we noted above, the individualist strain in Swedish culture has made possible a remarkably uncontested growth of collective welfare programs at the expense of the traditional role of the family; there are, however, signs that the limits of what even Swedes deem acceptable have been reached. If the women's movement transcends its current agenda of securing traditionally masculine rights for women—essentially the right to leave the home to work—and begins to seriously question the deep structures of Swedish society, including most particularly the twin obsessions with the typically "male" values of work and individual freedom, then a most fascinating debate would ensue. As in the case of the economically inefficient medical system, such debate would likely be characterized by the difficulty of reconciling possibly irreconcilable ideals. How, for example, is individual freedom—in particular that of women—to be squared with a return to private, decentralized, family-based care for the young and old? Given the Swedes' reputation for pragmatism this should not necessarily be taken as cause for alarm, although social scientists who put a premium on rationality are sure to be disappointed.

Sweden and Eastern Europe

What does all of this mean to the Havels, Yeltsins, and Walesas of the post-Communist world? To begin with it should by now be clear that there is no "Swedish model" that can be said to be transportable in a practically meaningful way. This notion, which became popular within and outside

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of Sweden only after the 1960s, had mostly do with economic theories that, whether they are useful or not, in fact do not go very far in explaining either the successes or failures of modern Sweden. The great irony is that when economic times are good the champions of the Swedish model are quick to claim credit; when times are bad, critics are equally quick to interpret this as proof of the negative consequences of that same model. Most often the causes for *both* up- *and* down-turns in the economy are related to changes in the international market, to which Swedish export-dominated industries are so sensitive.

This does not, of course, mean that there is nothing useful to learn or even copy from the Swedish (or any other) economic experience, both at the level of concrete economic and financial institutions or in the sphere where cultural values place constraints on economic policies. However, it is very hard to separate what is culture from what is economics. An illustration of this problem came up at a recent workshop on "The Privatization of State Enterprise in Hungary, Poland, and the former German Democratic Republic" held at the University of California at Berkeley in November of 1990. Given that the cost of labor in eastern Germany, due to unification, is much higher than in Poland or Hungary, the question was asked: why would investors from the West choose to put money into enterprises in eastern Germany, when the same amounts invested in Poland or Hungary would purchase more labor? Reiner Gohlke, until recently the Managing Director of the German *Treuhandanstalt* (in charge of the privatization of East German state enterprises), answered that they would do so because German workers are more disciplined, work harder, and produce products of superior quality. He went on to observe that in spite of the fact the labor costs in the Federal Republic for a long time have been among the highest in the world, especially when one takes into account what private companies have to pay the state for social welfare programs, Germany is nonetheless one of the most successful export economies of the world. Thus the well-informed businessman is likely to include cultural factors in his risk versus opportunity calculations.

Indeed, one of the most difficult tasks for the politicians and businessmen of developing, or reconstructing, nations is to "create" culture, whether we are talking about a democratic political culture or a vibrant economic culture with a hard-work, high-quality ethic at its center. Thus, the problems facing Eastern Europe include not only culturally determined reactions to the introduction of market economies and the dislocations and high levels of unemployment that are already apparent, but how to create workers out of people who for a generation or longer have "pretended to work while their government pretended to pay."

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In turn, such cultural issues will have a major impact on how welfare programs designed along Swedish lines will function. As we saw above, unemployment programs in Sweden succeed because the work ethic is strong enough that very few elect to become wards of the state, while in the U.S. the emergence of a self-reproducing chronic underclass, characterized especially by an absence of such an ethic, has gone hand-in-hand with welfare programs. It follows, then, that if welfare programs are instituted in Eastern Europe to alleviate economic and social suffering related to the transition from command economies to market systems, the success or failure of these programs will be intimately linked to the strength of the work ethic in these societies. If in fact the work ethic either was never a salient feature of the culture or is by now sufficiently undermined, then the bitter choice may be between a socially cruel and politically dangerous laissez-faire approach or an economically questionable and in the long term socially tragic welfare system.

NOTES

1. This essay was originally intended as an outright comparative analysis of the historical roots of the Swedish and German welfare states. In the end two essays rather than one were written: this one primarily concerned with Sweden and another one, by Elliot Neaman, dealing with Germany (also in this issue of *Critical Review*). However, I have retained some of the German-Swedish comparative perspective where it appeared to shed light on the peculiarities of the Swedish experience.
2. Marquis Childs, *Sweden: The Middle Way* (New Haven: Yale University Press, 1936) and Roland Huntford, *The New Totalitarians* (New York: Stein and Day, 1972). There exists a fairly extensive literature on modern Sweden, some of which is referred to below. Other important recent contributions include the *Daedalus* issues on the Nordic welfare state, *Daedalus* 113, nos. 1 and 2 (Winter and Spring 1984), and most especially the article by Arne Ruth, "The Second New Nation: The Mythology of Modern Sweden," *Daedalus*, 113, no. 2 (Spring 1984). Also see Margaret Weir and Theda Skocpol, "State Structures and the Possibilities for 'Keynesian' Responses to the Great Depression in Sweden, Britain, and the United States," in Peter B. Evans, Dietrich Rueschemeyer and Theda Skocpol, eds., *Bringing the State Back In* (Cambridge: Cambridge University Press, 1985); Hans Magnus Enzensberger, "Swedish Autumn," in *id., Europe, Europe* (New York: Pantheon Books, 1989), first published in the Swedish daily newspaper *Dagens Nyheter* in the fall of 1982 and later partly translated into English as "The Crisis," *The Scandinavian Review* no. 2 (1983); Henry Milner, *Sweden: Social Democracy in Practice* (Oxford: Oxford University Press, 1989), and Magnus Mörner, " 'The Swedish Model': Histor-

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ical Perspectives," *Journal of Scandinavian History* 14 (1989). For critical, libertarian analyses see Peter Stein, "Sweden: Failure of the Welfare State," *Journal of Economic Growth* 2, no. 4; J.A. Fry, ed., *Limits of the Welfare State: Critical Views on Post-War Sweden* (Westmead: Saxon House, 1979); and the forthcoming book by Elisabeth Langby, *Enlightened Politics: A Swedish Pursuit of Happiness.*

3. For the quotation and a discussion of the suicide myth see David Jenkins, *Sweden and the Price of Progress* (New York: Coward-McCann, Inc., 1968), 15.
4. For a recent analysis of the debate on the Social Question in late nineteenth- and early twentieth-century Sweden, see Thomas Magnusson, "Poor—Unemployed—Worker: A study of Key-Concepts in the Debate on the Social Problem in Sweden 1839-1913," in Bo Stråth, ed., *Language and the Construction of Class Identities* (Gothenburg: University of Gothenburg Press, 1990).
5. Bent Rold Andersen, "Rationality and Irrationality of the Nordic Welfare State," in *id., Two Essays on the Nordic Welfare State* (Copenhagen: AKF, 1983), 16.
6. *Ibid.*, 17.
7. See Steven Koblik, ed., *Sweden's Development from Poverty to Affluence* (Minneapolis: University of Minnesota Press, 1975), in particular the essay by Sven Anders Söderpalm on the 1933 crisis agreement between the Social Democrats and the Peasant party.
8. For a discussion of this important difference between Scandinavian and other welfare states, see Eric Einhorn and John Logue, *Modern Welfare States: Politics and Policies in Social Democratic Scandinavia* (New York: Praeger, 1989), 141.
9. Göran Therborn, "En dansk-tysk import: Det moderna Sverige och dess socialdemokrati," in *Arbetarhistoria: meddelande från Arbetarrörelsens arkiv och bibliotek*, nos. 37-38 (1986).
10. The term was appropriated by the National Socialists, but it was also used generally by conservatives in Germany to evoke a healthy, organic national and social community, without class conflict, but with mutual respect between the different "estates" (*Stände*). It was a fundamentally paternalistic notion.
11. The title of an excellent collection of essays on modern Swedish history edited by Steven Koblik. See n7 above.
12. Alva and Gunnar Myrdal, *The Population Crisis* (Stockholm, 1934).
13. Alva Myrdal, *Nation and Family: The Swedish Experiment in Democratic Family and Polulation Policy* (London, 1945), quoted in a recent comparison of Swedish and U.S. welfare programs and policies in Deborah Daro, *Theories of the Welfare State: A Comparison between Sweden and the United States*, unpublished M.A. thesis, University of California at Berkeley School of Social Welfare, 1985.

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14. For a recent contribution in English, see Alan Wolfe, "The Day-care Dilemma: A Scandinavian perspective," in *The Public Interest*, no. 95 (Spring 1989). Also see Yvonne Hirdman, *Att Lägga Livet Tillrätta* (Stockholm: Carlssons 1990), a very recent important work analyzing Swedish family policy in the context of Swedish utopianism and social engineering, and the chapter on the gender system in *Demokrati och Makt i Sverige* (Allmänna Förlaget: Stockholm, 1990). Both of the two latter publications form part of a series of works issuing from a major investigation of power and democracy in Sweden. *Demokrati och Makt i Sverige* also includes a thorough bibliography, including a subsection containing publications in English.
15. Consider, for instance, a teenager who wants to pursue a life as a writer, but whose father wants him to go to medical school and accordingly refuses to emotionally or financially support the son's university studies. In Sweden this would at least not pose a problem on the financial level, and it might encourage the father to abandon his attempt to abusively excercise parental authority.
16. Leaving so many Americans without support from *either* state or family.
17. Where, then, do the roots of this Swedish individualism lie? At this point I will, in a purely speculative gesture, have to limit myself to pointing in two general directions. The first place to look would be the family itself: family size and child-rearing patterns. Modern Swedish family policies were, as we have just seen, prompted by a traditionally low and decreasing birth rate. Furthermore, comparative studies indicate that the Swedish child is encouraged to develop in the direction of independence at an early age and to an unusual degree. Both these tendencies tend to corroborate the notion of the solitary, silent Swede, happiest when alone in his beloved nature, and rather uncomfortable in social situations requiring empathy, non-technical communication or emotion in general. No doubt this cliché is highly overdrawn and perhaps even fundamentally flawed. However, I would suspect that an analysis of Swedish culture with its family size and child-rearing practices as the point of departure would reveal a great deal. For one good, although controversial example, see Herbert Hendin, *Scandinavia and Suicide* (New York: Grune & Stratton, 1964). Second, as I try to bring out in the next section of this paper, Sweden is a culture dominated by the individualist work ethic to the exclusion of much else, including social values centered on family life.
18. See Hendin. It should be noted that this book has been severly criticized on the basis that Hendin did not spend enough time in Sweden to qualify as a credible authority. This is not surprising, given the rather unflattering view of Sweden, and especially Swedish mothers, that he presents. However, it appears, at least to this author, that regardless of possible quantitative and/or methodological weaknesses, Hendin nonetheless has provided

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a perceptive analysis of Swedish culture with respect to child-rearing practices and family psychology.

19. Charles Murray, "The British Underclass," *The Public Interest* no. 99 (Spring 1990): 4, 21.
20. *Ibid.*, 28.
21. *Ibid.*
22. *Ibid.*, 18.
23. *Ibid.*, 20.
24. *Ibid.*, 21.
25. This is not to say, of course, that the U.S. is not also dominated by a work ethic. Rather, what is significant is that one group of Americans who indeed are hard-working is asked to pay the bill for programs aimed at those who are not. Thus much bitterness and political and social tension is the result of ill-conceived and failed attempts to impose the dominant culture's work ethic on the resisting and resentful minority.
26. In the introduction to his essay on the British underclass (p. 4), Murray writes that "reports about Western Europe's social democracies typically portray societies in which the low-income class is hardworking and responsible." Acccordingly, he suggests that "the left" blames the U.S. underclass problem on "the United States' failure to adopt a generous welfare state, Sweden being the standard to which the United States should aspire." Obviously, as we have indicated above, Murray radically disagrees with this line of reasoning. Rather, he appears to be saying that his critique of the U.S. and Britain is also relevant to "Europe's social democracies," very much including Sweden, "the standard" by which his American leftist adversaries judge the U.S. to be an "incomplete welfare state." Unfortunately, in spite of his reference to Sweden as the "standard," he proceeds to investigate not Sweden, but England. For Murray this is less of a problem, as he tends to collapse all the various "welfare states" into one "ideal type," thus allowing him to transfer his conclusion freely from one context to another. Indeed Murray is explicitly anti-historical: "Even people who assign more blame to bad contemporary policy than to history (I am one of them) . . ." (4).
27. Arne Ruth, "The Second New Nation," 56. Also quoted and commented on in Magnus Mörner, " 'The Swedish Model,' " 261.
28. Bent Rold Andersen, "Rationality and Irrationality of the Nordic Welfare State," 45.
29. Swedish economist H. Åkerman, quoted in *ibid.*, 45.
30. Arne Ruth, "The Second New Nation," 55.

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Elliot Yale Neaman

GERMAN COLLECTIVISM AND THE WELFARE STATE

In contrast to members of other developed, capitalist societies, Germans still attach some positive connotations to collectivism. In particular, they see the welfare state as a guarantor of collective security and social harmony, and as an agent of national interests by means of macroeconomic planning. The combination of collectivist social goals and statist means can be traced back to the Protestant Reformation in Germany, when the political vacuum left by the defeat of Roman internationalism was filled by local, secular governments which took over responsibility for the collective welfare of their subjects. The welfare state began in Germany as a stringent moral order; it was acceptable to the emerging middle class because public welfare was associated with the suppression of idiosyncratic desire. The maintenance of public welfare was viewed as a precondition for economic and military viability, encouraging the growth of state power in the sixteenth, seventeenth and eighteenth centuries. The collective public good became associated with the enlargement of dynastic glory. When unification finally came in the late nineteenth century, the authoritarian state was well entrenched in Germany. Bourgeois individualism in the form of social corporatism was considerably weaker than state corporatism. Competing interest groups sought to

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impose their visions upon the state, which symbolized society as a whole. Nazism, too, successfully exploited the German yearning for a state that would express the nation's collective energies in the form of a "higher" community, the Volksgemeinschaft. *It was only in the aftermath of the catastrophe, when the Federal Republic succeeded in building solid economic and political foundations around collectivist impulses, that a viable "social state" emerged, one that seemed to offer both universal social security and a large sphere for private initiative. State corporatism played a large role after 1945 in diffusing social conflict and maintaining the social contract, the presupposition of which was continuing prosperity. Since the Conservatives regained power in 1982, however, economic hardship among the lower third of society, in glaring contrast to the opulence of the upper third, has begun to jeopardize the social harmony which the welfare state was supposed to ensure. The potential cost of social programs to rectify this situation and to meet the needs of the new eastern states has called forth neoliberal criticism of the idea that there is a "German model" in which the negative aspects of collectivism can be successfully transformed into a positive collaboration between state and society.*

Definitions of the term "collectivism" show a fascinating national variation. Although all stress the collective organization of economy and society, an American encyclopedia unequivocally equates collectivism with "communism, fascism and socialism."[1] By contrast, the most popular German encyclopedia defines collectivism as "a reaction to a more or less exaggerated individualism in connection with the development of the sociological sciences and the rediscovery of man and society as a communal being."[2] The affirmative reference to communal being and the deprecation of individualism can be construed as support for the hypothesis that there is a positive, peculiarly German attitude toward collectivism.

This striking difference in attitude should not be misinterpreted as having to do with the importance of collectivities in an anthropolgical sense. All human beings belong to collectivities of one sort or another, without which their survival would be impossible. The peculiar German embrace of collectivism does not mean that Germans cherish, for instance, the family more than Americans do. Rather, it reflects their attitude toward the *state*. An understanding of this political collectivism becomes all the more crucial at a point in history when Germany is becoming, with the possible exception of Sweden, *the* model for formerly socialist states which fear going all the way toward an unfettered market economy.

That Germans did in fact attach greater than average significance to an "organic" view of society, one in which the state was meant to complement the patriarchal family at a higher organizational level, is hardly an

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original observation. The excesses of *völkish* thought which contributed to the popularity of Nazism were extreme expressions of a desire to overcome difference and achieve national unity traceable to the early nineteenth century.[3] The point is not to condemn German collectivism, which has had other, more positive manifestations. Rather, I shall argue that, with the onset of industrialization, a plurality of competing interest groups emerged which held rival collective conceptions of the whole, and of the role of the state and of ideas, values and traditions in holding together the collective nation.

Factionalism and division were the reality of Germany as it modernized, and the "hunger for wholeness" (Peter Gay) and the militant desires of twentieth-century traditional conservatives for a return from *Gesellschaft* to *Gemeinschaft* merely indicated how impossible such a dream had become. It was only in the aftermath of two cataclysmic world wars that the Federal Republic achieved, with the *Sozialmarktwirtschaft* (social market economy), a semblance of the kind of stable, prosperous, and socially balanced polity which could hold the allegiance of the majority of competing political parties, social classes and interest groups. As it turned out, the growing international recognition and wealth of the Federal Republic also acted as a magnet for the citizens of the German Democratic Republic, a state whose official ideology was antithetical to market capitalism but which was increasingly incapable of offering any kind of viable alternative to its citizens.

Postwar Germans perceived, in the establishment of an extensive welfare state in the framework of a capitalist, but culturally conservative Federal Republic, a key to reconciling the divisions which had wreaked so much havoc in their recent history. I wish to discuss several varieties of collectivism in German history before turning to the postwar period, and end by discussing recent developments which have placed the hard-fought consensus about the role of the state and the nature of the collective in jeopardy. This discussion will necessarily direct the reader's attention to some older, but mostly recent historiographical debates, because the question of collectivism cannot be separated from the tortuous path Germany took to statehood. Precisely why Germany faced such enormous obstacles along this road, leading to several disastrous turns, is still very much a question of one's historical perspective. The notion that there can be established an attitude, a state of mind, or a mentality which could fairly be called "German collectivism" has in fact hardly been broached by scholars concerned with German culture.[4] This essay should be considered a modest beginning at phrasing the question against the background of more familiar debates about the course of German history.

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Collectivism in Premodern Germany

The political history of Germany from the Reformation to the modern period has often been written from a vertical perspective, placing great emphasis on the resistance of Germany's landed aristocracy to accomodating the rising middle classes and thus to developing modern economic and political institutions. In contrast to France or England, where individual liberty became a legal and institutional reality (however circumscribed) by the nineteenth century, modern Germany inherited an "age-old association of liberty with the authoritarian state."[5] One can also take a horizontal perspective, however, which would probe the role of self-government and independent bodies in the political growth of Germany. How one judges the evolution of German collectivism depends very much on which paradigm—horizontal or vertical—one applies. A key early example is the moment in German history when the state first concerned itself systematically with the welfare of its citizens: the secularization of political life which was an unintended result of the Protestant Reformation.

Burckhardt argued that the Renaissance represented a break with the medieval world because men (and to a far lesser extent women, though this was not yet a problem for scholarship) were freed from the fetters of unexamined collective traditions and discovered inner subjectivity and personality. Since Burckhardt, much ink has been spilled over the contention that subjective individualism arose with the dawn of the Renaissance, and it would draw us far astray to deal here with these sophisticated debates.

What is clear, however, is that the philosophy of the Italian Renaissance arrived in Germany relatively late in the history of growing trade and urbanization that had begun in the medieval period. It was the Reformation, therefore, which constituted the German equivalent of the Italian Renaissance's celebrated break with the medieval past. City-dwelling German humanists of the Reformation period followed Italian scholars in seeking in antiquity models which would show them how best to participate in the virtues of civic life. But they did not simply copy the classics; they acquired a critical outlook which was suspicious of traditional ways of thinking. They sought to gain knowledge of the empirical world and, as a corollary, knowledge of how to reform and improve the social world. Many scholars see late medieval nominalism as the source of a turn away from scholasticism toward an incipient "scientific" attitude.[6] Civic humanism can thus be described as the first modern attempt to understand society in secular, philosophical and empirical terms, using classical political categories and notions of virtue based on reason rather than on revelation as guidelines. In order even to have a concept of public welfare, it was first

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necessary to view society as a contingent entity capable of being studied and reformed.

The question of the relationship between the Renaissance and the Reformation in Germany was treated in the debates that followed Max Weber's ground-breaking investigations of Protestantism and the rise of capitalism. Ernst Troeltsch contrasted the Renaissance emancipation of the individual, the "*uomo universale*, the gallant, the man of spiritual freedom and of culture," with the Christian ideal of submission to divine order which marks the Reformation, a "rejuvenated Christianity which has taken up within itself the Catholic Idea of the Church, of Christian secular culture, and of mystical inwardness as well as a large part of the late medieval secular bourgeois interests." He argued that the German humanists and reformers had a more complicated relationship to subjective individualism than their Italian mentors. Luther's teachings had given them a realm of inner freedom, yet they submitted themselves as individuals to the divinely ordered collective. In this seemingly innocuous combination of ideals, both Weber and Troeltsch saw the ominous beginnings of the powerful modern state.[7]

The Case of Nuremberg

Nowhere can the sharp distinction between Renaissance and Reformation humanist ideals be made more clear than in the case of the free Imperial city of Nuremberg in the sixteenth century, the home of such luminaries as Andreas Osiander, Willibald Pirckheimer, Lazarus Spengler, Hans Sachs, and Albrecht Dürer.

In the 1520s, after acrimonious public debates, the hereditary aristocracy composing the Nuremberg city council chose to break with the Catholic Church. Gerald Strauss has concluded that the city rulers did not so much identify with Luther's bleak creed of human depravity and man's undeserved divine grace, but rather that they quickly grasped the political consequences of Luther's insistence on reform under the auspices of secular government. The break with Rome meant more freedom of action for the city and, more concretely, the replacement of the social functions of the Church with new secular devices.[8] Thus, in the course of Nuremberg's rise as a manufacturing and financial center, the aristocracy was free to develop regulations and statutes for all aspects of social life. Each citizen was accorded rights and duties in accordance with his or her standing in the social hierarchy. This meant nearly perfect social security as well as absolute social control.[9]

While humanism theoretically established the autonomy of the republican citizen, then, one of the practical results of the emancipation from both

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Roman internationalism and feudalism was also to establish new codes of order which were in some ways as inflexible and imposing as the old ones. The synthesis is best expressed in the puritanical totalitariansim of Calvin's Geneva. As Michael Walzer wrote in his important study treating the political translation of Calvinism into a basis for radical politics: "What Calvinists said of the Saint, other men would later say of the citizen: the same sense of civic virtue, of discipline and duty, lies behind the two names."[10]

In its republican ideals, Nuremberg was not so different from the Italian city-states of Florence, Milan or Venice, but its iron-fist approach to social harmony was as uncompromising and brutal as it was successful in containing potential rebellion or factional rivalry. In non-Italian, Protestant city-states like Nuremberg, Augsburg or Geneva, the fetters on the individual, total integration into the collectivity was, from a modern point of view, overwhelming and suffocating. Already in sixteenth-century continental Europe, especially in Protestant areas, one can detect the genesis of modern forms of government whose goals are social harmony and collective security, all of which is to be achieved by the coercive suppression of idiosyncratic desire. As Max Weber observed, the roots of the secular Protestant state in the personal rule of feudalism meant that the state operated in a moral and ethical vacuum. The infusion of the power of the state into all areas of social life, even to the end of maintaining the health and welfare of its citizens, was a means of safeguarding the coercive powers of the state:

> The patriarchal orders of the past were based upon personal obligations of piety, and the patriarchal rulers considered the merit of the concrete, single case precisely with "regard to the person." In the final analysis, in spite of all "social welfare policies," the whole course of the state's inner political functions, of justice and administration, is "reasons of state." [11]

State intervention, in this early stage, was not a spontaneous creation, independent of people's designs or intentions, but rather emerged as a new form of domination filling a power vacuum at a particular junction in history. It is clear that this process of secularization was not limited to individual cases like Nuremberg: in those areas where the Protestant Reformation was successful the German states, monarchies and principalities took over many of the duties of welfare which had previously been exercised by the Church. Luther's emphasis on man's debased state and his duty to obey the laws of God corresponded not only with the views of the other reformers but also, essentially, with the practical worldview which secular rulers held. In contrast to the Catholic plethora of holidays, elaborate rituals and charismatic leadership, Protestantism demanded that

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people curtail their desires, obey the rule of (secular) law, and conform to the conventions of the collective. Studies of other German cities during the Reformation confirm repeatedly the hypothesis that the Lutheran reforms were accepted and embraced by civic populations because the Church was perceived as having failed to provide order and moral leadership. In many reformed cities, in the course of the 1530s, new disciplinary measures (*Zuchtordnungen*) were passed which gave the rulers significantly greater powers of social control than the Church had ever possessed.[12] With the church put in its place as merely one aspect of communal life (albeit a signally important one), government came to feel directly responsible to God for the maintenance of a strict civil code. From the beginning, then, the welfare state was based on a set of religiously derived normative judgments: against unruly behavior, sexual deviance and religious laxity, and for such bourgeois virtues as industry, thrift, usefulness, and ethical conformity. Armed with these moral precepts, government intervention in communal life became acceptable to, and indeed was demanded by the burghers.

The German reformers used state power to instill civic consciousness, and to the extent that they pioneered autonomous communal politics they were successful. But by expropriating many of the social functions of the Church, they encouraged the identification of the state with the collective and of rule from above with the good.[13]

The Legacy of Prussian Subservience

The baroque absolutism of the eighteenth century in Germany, as elsewhere, continued this tradition by regulating the details of private and public life, from the most trivial to the highest interests of the polity. Enlightened despotism differed from that of the Reformation in that laissez faire in commerce was imposed by the collectivist state in order to augment its power, the byproduct of which would be the security of individuals. In Germany, absolute monarchs often forced their still-feudal aristocracies to face the uncomfortable side-effects of emerging capitalist economies.

Among German states, Prussia and its development have elicited the most attention from historians, because here lay the seeds of Germany's future development.[14] The pedantic meticulousness and frugality of the Hollenzollern dynasty are legendary, but Prussian government paralleled on a larger scale the characteristics of the small German princely states. The transition from medieval paternalism to the secular state from around 1500 to 1700 meant that Prussia increasingly circumscribed the liberties of its subjects in the name of the collective good—i.e., the good of the state.

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Public health regulations, state schools and universities, urban development and public works, were all instituted in order to vitalize social energies and enhance the power of the state vis-à-vis other states. As Hans Rosenberg has observed:

> The new bureaucrats were not modern civil servants, but their forerunners. They were dynastic rather than public servants. They served the welfare of the government of the autocratic prince, not that of the governed. The well-being of the subjects was not an end in itself but a means to bolster the position of the government.[15]

The fact that Prussia became a military power of European rank in the eighteenth century demanded certain innovations that can be seen as anticipations of modern social and economic policy. The reliance of a military power on uninterrupted food and energy supplies, for instance, led the Prussian kings and their ministers to concern themselves with the regulation of incipient industry, manufacturing, farming and mining, in contrast with their promotion of commercial laissez faire. Mining was particularly important; one of the innovations which is regularly cited as prototypical of the later social reforms is the regulation of mining in the Mark Brandenburg from 1776.[16] Children's and women's labor was disallowed, and the miners were granted some measure of health and accident insurance.

Although industrialization and the social conflicts which accompanied rapid urbanization came later to Germany than to England, the German states reproduced many of the early English attempts at industrial regulation.[17] Child and youth labor were restricted in Prussia as early as 1839, and Württemberg, Bavaria, Baden and Saxony followed in the next twenty years.[18] Before 1870 a series of other reforms were introduced in Prussia which laid the foundations of Bismarck's reforms. Where Germany tended to differ from England was at the level of regional, collective cooperation. Most importantly, commercial councils (*Gewerberäte*) were established in most cities, on which representatives of government, businesses and workers sat together to work out labor disputes and decide on cases of invalidism and sickness. After the 1848 revolutions regular factory inspections were introduced, as well as the first mandatory health insurance for workers.[19]

While some positive aspects in the above developments cannot be denied, the desire to regulate the social disruptions caused by industrialization also contributed to the pervasive attitude in Germany that the proper role of the state is to intervene whenever economic or societal crises occur. This attitude helped undermine the ability of independent forces in German civil society to resist the encroachment of the state into

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the private sphere. Moreover, the line between state corporatism and private associations (or "social corporatism") became blurred. Private organizations like the interest groups of various branches of industry and commerce tended to pursue and often received offical government recognition, thus setting themselves up with monopolistic representative powers.

Why No Bourgeois Individualism?

In the 1960s a group of young social historians developed the revisionist *Sonderweg* thesis—the idea that Germany was aberrant in its political development—in reaction to the conservative and traditional emphasis in German historiography on the state, foreign policy and the importance of ideas disembodied from social reality.[20] According to proponents of this argument, the Wilhelmine bureaucracy promoted only those who upheld the most politically conservative attitudes and became infiltrated by the landed nobility seeking new vistas for the retention of their power. The bureaucracy wielded enormous power because the Imperial Constitution of 1871 severely limited the powers of parliament to propose and implement legislation. The legacy of change and reform from above, by means of which bureaucrats took on a paternalistic responsibility for the collective welfare, hindered the establishment of a democratic political culture in which individuals could act voluntarily to create a vigorous civil society. Such activity, with its concomitant of democracy and political conflict, was seen by the bureaucracy as a threat to the harmony of society and the good of the whole. Thus was born, in these historians' view, a modern version of collectivism: a utopian ideal of an indivisible community held together by authoritarian means which survived the fall of the Empire and contributed substantially to the downfall of the Weimar democratic experiment.[21]

Historians who challenge this view of the Empire do not deny that the bureaucracy was a powerful foundation for the reactionary climate of Wilhelmine politics. After all, Heinrich Mann's portrayal of the *Untertan*, the subservient civil servant, rings so true that it is difficult to remember that he is the protagonist in a novel, not a real figure. Yet a host of satirical literary journals was also a feature of the urban culture of the Empire, and the popularity of Mann's vilifying portrait of the era is also evidence that an alternative, oppositional culture existed.

The contours of liberal thought in the Empire were not, however, sharply defined. Although a man like Lujo Brentano considered himself a liberal of the Manchester School, he still favored government intervention in the economy and was a leading supporter of the unions. This was not an

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uncommon attitude among German liberals because in Germany economic rationalization, and modernization in general, were imposed from above. Some historians stress in this context the autocratic tradition of centralist cameralism, but others, such as Kenneth D. Barkin, point to the social conscience of the liberals as evidence that they were progressive thinkers, not caught in the authoritarian net of the Prussian bureacracy.[22]

Thomas Nipperdey, in his monumental history of nineteenth-century Germany and in several important essays,[23] has drawn, in bold strokes, the lines of a self-conscious and independent bourgeois world which counterbalanced, to some extent, the weight of the inflexible German state, which is too often seen as a homogeneous and suffocating set of institutions. He describes the rise of free associations, first sporadically in the eighteenth century, and then with increasing vigor in the nineteenth, as a "symptom" of modernization, whereby the individual was gradually freed of embeddedness in collective cultural norms and unchanging social hierarchy.[24] Associations represented, for Nipperdey, the emancipation of the bourgeoisie from aristocratic tutelage in the realms of culture and politics. In particular, he points to the political clubs which arose in response to the French Revolution, mostly active after 1815, in which citizens and aristocrats freely exchanged ideas and found a common language of social and political intercourse. In response to economic modernization, he mentions the myriad agricultural associations established to spread the knowledge of technological improvements. In response to "social questions," he stresses the proliferation of self-help organizations, mostly private charity institutions to help and educate the poor, build hospitals, etc.[25]

Nipperdey's research helps correct the notion that nineteenth-century German society was apolitical and that the state was solely responsible for the development of welfare institutions. But in his desire to recast the negative form in which more critical social historians have represented German society, Nipperdey does not entirely convince us that the presence of a growing self-awareness and assertiveness of the bourgeoisie was a liberal, democratic or anti-statist phenomenon. The existence of private organizations alone does not make for a pluralistic society; in fact, many of the associations of the Wilhelmine period were decidedly anti-democratic and anti-parliamentarian. The modern individual, freed from the moorings of traditional society, was obviously not content with the loose and pluralistic social net which the new associations offered. The desire to identify with abstract collective entities, the state, the *Volk*, grew most intense in the course of the nineteenth century. Recent research on the youth welfare programs in Germany has shown that although a considerable number of the programs were run by private organizations, confessional charities, voluntary agencies and so forth, the efforts at social

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reform in the private sphere were undertaken by conservatives with a collectivist vision in mind: of ethically, religiously and morally improving the state. An example taken from this study indicates how the distinction between public and private welfare programs is difficult to determine in the German case. Strengthening the role of the churches and private institutions in child welfare programs was urged because

> all the actually existing moral forces must be given the influence that they in fact have, and should have in [public] life, and therefore not only the state, but rather also society must be given consideration in full, and a vital organism must be created.[26]

The organic purpose for which both state and society were here enlisted was part of the strategy of the ideological right after 1870 to ensure that the mechanistic, impersonal "iron cage" of the state, as Weber put it, would reflect homespun, traditional values.

It is true that the German Empire had to establish itself gradually and slowly, and sometimes in opposition to the tenacious power of local traditions, customs, and desires for independence. But by 1890, the Empire had succeeded in transferring the allegiances of local community, of *Heimat* (native surroundings), to the supra-individual collectivity of the nation. The Empire succeeded splendidly in establishing new images and forms of collective identity.

The Bismarckian Social Laws

The gravest problem facing the elites of Imperial Germany was the drive of the working class to organize itself into its own collectivity. Between 1870 and 1901 the working class proportion of the population had grown from one-fifth to one-third. Yet the Constitution hindered the workers from translating their demographic weight into political power. The Empire's industrial code expressly outlawed collective labor organizations (*Koalitionszwang*), but this only contributed to the increasing strength at the polls of the Social Democrats.

By all accounts, the first acts of modern welfare-state legislation were passed in the Bismarckian Germany of the 1880s. Preventing Social Democratic advances was Bismarck's leading motive. Following the implementation of the anti-Socialist laws of 1878, he introduced, over the next decade, factory inspections, health insurance for workers, accident insurance, and old-age pensions. The laws were intended not to fortify the economically weak elements in society, nor to reduce class inequality, but rather to weaken potential political radicalism. Bismarck was influenced in

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this regard by events in France. As an ambassador to Paris, in 1862, he was able to observe at first hand the way in which Napoleon III won over the working classes, using their support as an anchor against the democratic bourgeoisie, by implementing universal male suffrage, grand public projects, and pension and insurance schemes, and by encouraging limited self-organization of the workers at the factory level.[27] At first the National Liberals, upon whose support Bismarck depended, looked unfavorably even upon the moderate reforms Bismarck envisaged.[28] It was the *Gründerkrise*, the economic depression of 1873-79, which changed all that.[29] During the 1870s the industrial entrepreneurs and Prussian estate-owners, formerly the loudest advocates of free-market competition, pushed for state intervention in the economy: not only for social welfare programs, but also protective tariffs on corn and iron, hard-hit by world competition. The depression also changed the Empire's political landscape by leading to the formation of anti-capitalist, protectionist and sometimes xenophobic, particularly anti-Semitic, political alliances.[30] The members of these alliances were large agrarian interests and peasants, supported by artisans and small shopkeepers in the conservative and clerical parties.[31] Rosenberg writes that with their success,

> The social character of the economic processes of production, distribution and consumption became officially recognized. From this time onwards it tended to be the destiny of the state to function as the supreme agent of economic coordination and integration on a national scale. Not natural law but a "New Deal" was to establish order in the realm of economic society by forcing the government to reassume old functions and usurp new ones.[32]

This was arguably the worldview which gave rise not only to the Bismarckian welfare state but to the right-wing collectivism of the twentieth century. Why, one might ask, was there no middle-class response? The answer is that in what has been sometimes seen as the "failure of German liberalism," laissez-faire activists in Germany contradictorily embraced state power to further what they saw as economic progress.[33] Liberals found themselves sitting as experts in economic ministries which furthered trade, encouraged modernization of agriculture and contributed much more than in England to the buidling of roads and railways. As James Sheehan has pointed out, the pre-1848 reform movement had been a mixed blessing for liberalism. On the one hand, it contributed to the dominance of a repressive, interventionist state which hindered the development of political freedom, while on the other hand the state "was a source of progress and enlightenment: bureacrats encouraged the growth of schools, steered government investment towards productive enterprises, built highways and roads, and so on."[34]

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As we saw in considering Nipperdey's view of nineteenth-century developments, the state was not alone in pursuing social welfare in the face of industrialization. Private health and accident insurance, for example, developed even while state welfare programs expanded. Statistics were collected and evaluated by private companies; hundreds of organizations were formed to study social policy; and public discourse on matters of health, town planning, education, local financing and so forth was carried out independently of, and sometimes even in opposition to the state.[35] Those who stress these activities argue that social corporatism was stronger than state corporatism, but as in the example of child welfare, these efforts can be viewed as being complementary to German welfare statism. This is true not ony because of the collectivism of many of those undertaking non-state social welfare efforts, but also because such efforts were often integrated into what has been called German "state corporatism" as well as "organized capitalism."[36]

State corporatism in Germany differed from pluralistic systems of interest representation in Western industrialized countries by virtue of the fact that German corporate bodies were hierarchically ordered and were licensed by the state as virtual monopolies. In contrast to the Anglo-Saxon tradition, the German legal system, based on Roman law, required state approval for the establishment of associations.[37] In practice this meant that government agencies brought together select representatives of trade, commerce and agriculture behind closed doors in order to hash out differences and set economic objectives. Bismarck attempted to centrally organize the economy by combining the functions of the trade and economic ministry in his own Imperial Chancery, led initially by the mercantilist von Delbrück.[38] Using this centralized office, Bismarck sought to keep a tight rein on the economy by parcelling out various tasks to a network of smaller offices under his control. But the result was a fragmentation of responsibility with no clear economic objectives. Thus, by the end of the 1880s, Bismarck's plans for a paternalistic, autocratic-collectivist economy had failed. But Wilhelmine capitalism was nevertheless tempered by a variety of associations, unions, chambers and councils, some quasi-private, some public, most intersecting with government, business, and labor.

These cooperative bodies played an important role in establishing precedents for Germany's future, but they were never able to reconcile either deep class divisions or the antagonism between democratic and antidemocratic forces in Wilhelmine society. The sole consensus which emerged was that the state was the only effective institution by means of which the forces of the market could be controlled and made to serve, in as efficacious a form as possible, the collective whole rather than the divergent

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interests of society. Moreover, as the Social Democratic party moved in a reformist direction, leaving anarchism and revolutionary Marxism behind it, the idea of using the state to achieve political goals grew as strong on the left as it was on the right. If the *völkish* movement dreamed of unifying state and society in an organic vision of collective harmony, the followers of Lassalle, the reform-minded Social Democrats, imagined a society made more equal and just by an omnipresent, benevolent state. The conflict between hierarchical and egalitarian appropriations of statist collectivism would prove an enduring source of cultural, psychological and political division.

Collectivism and Crisis

By the end of the German Empire, cooperation between the state, German business and labor was achieved by means of a long and tested relationship in which arbitration, negotiation and relatively peacefully concluded settlements played a large role. Despite minor setbacks, the period between 1900 and 1914 was characterized by steady industrial expansion, and the net national product, wages and profits rose continually.[39] When the First World War broke out, Germany attempted, with mixed success, to coordinate a planned war economy. The state worked in conjunction with business to produce the maximum amount of war-related materiel. Market mechanisms were partially circumvented; the government controlled raw materials and allocated them through War Associations and War Boards. Trade and agriculture were far more controlled than was industrial production, but even the latter came to depend increasingly on state control of natural resources.

Historians do not agree as to the ultimate effectiveness of the war economy, though a consensus reigns that competition and risk were largely eliminated for entrepreneurs, leading to an acceleration of the cartel and merger movement already evident before 1914.[40] Jürgen Kocka evaluates the war economy as a partial success. He argues that "while actual production declined, some productive capacity was enlarged with the help of public funds, thereby propelling an (admittedly war-distorted) industrial expansion."[41] He also points to long-term benefits of wartime organization, such as increased rationalization of factories and standardization of industrial procedures.[42] Kocka is no apologist for the war economy, however: he argues that big entrepreneurs greatly increased their wealth at the expense of the small producers and working classes, leading to polarization and sharpened class conflict.

By contrast, Don Lavoie has argued that economic planning is inherently reactionary because it is based on feudal and militaristic modes of

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organization, citing the case of Germany's war economy, and Stalin's and Hitler's attempted imitations of it, as the best examples.[43] But Lavoie admits that Stalin made the mistake of completely shutting down competition, while Ludendorff's plan was "non-comprehensive" and protected the profits of "certain businessmen."[44] What is not disputed is that the German war economy, or "Ludendorffism," as Lavoie calls it, was perceived as being successful, not only in Soviet Union and Nazi Germany, but also in England and the United States, whose War Industries Boards attempted to emulate it.

In the final stages of the war, the prospect that government would continue to regulate the economy, as well as the prospects of economic ruin, political turmoil and impending revolution, scared business leaders and politicians into coming to terms with labor.[45] Article 165 of the Weimar Constitution established the legal framework for organizations of collective representation: worker's councils from the factory to the national level, and economic councils to represent business interests. But the landmark Stinnes-Legien agreement of November 1918 represented an important move away from state corporatism, in that industrialists and union leaders came to terms without the initiation or prodding of the state. The agreement mandated the eight-hour hour day for all industries, introduced collective bargaining on wages and working conditions and established a "Central Working Community of Employers and Employees" (*Zentrale Arbeitsgemeinschaft*). The ZAG was supposed to facilitate collective agreements between labor and business, but its effectiveness was seriously impaired by clashes among divergent interest groups, postwar instability and severe economic crises. It was dissolved in 1924.[46]

The Failure of Weimar and the Nazi Solution

The end of the *Arbeitsgemeinschaft* meant that the role of state arbitration in labor disputes increased as union-industry cooperation declined in the final Weimar years. Why was there a return to state corporatism? First, the tradition of mixed corporate and free associations, as well as welfare-state institutions and government brokering between parties, had evolved and been strengthened since the early Empire. People saw this as a "natural" development of maturing capitalism. Second, in times of crisis, when existential survival is at stake, people are not prepared to wait for theoretical solutions. They want to see concrete action, and they turn to the ultimate power in society, the state, to solve problems.

In Germany, turning to the state was not an irrational or desperate move. Corporatist crisis management had seemed to be a successful formula in the past; why not stick to it? But the unprecedented severity of the

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economic problems of the Weimar period—the inflation of 1923, the pressure of reparations and the Crash of 1929—undermined the possibility of consensus in German society. The six million unemployed were largely left out of the agreements reached between big business and the labor unions, and the welfare net became porous as debt-ridden Weimar governments attempted to fight the economic crisis with austerity.[47]

The reaction was to seek even more corporatism. The promise to reorganize society along corporatist principles and to smash the particularism of interest-group privilege was precisely the early National Socialist program. In Gottfried Feder's outline for the "Social State," for example, the *Volk* would be represented by two elected bodies, a "House of the People," where the political interests of the collective would be safeguarded, and a "Central Council" representing collective economic interests. In this way, Feder hoped, the rule of parliamentary bodies and cliques would be broken:

> The Central Council, it must be emphasized again, is the expression of the *working* community of the people. Only the best shall have a seat and a vote in it. Every profession, every occupation shall be heard in it. The closest cooperation shall in the best sense have an educational effect; it shall function *socially* to prevent the representation of the special interests of the individual occupational groups and to encourage their best incorporation into the whole.[48]

The Nazis in power rejuvenated the Bismarckian dream of central control by the *Reich* by means of centrally organized corporatist bodies. In place of the autonomous labor unions, they created the German Worker's Front (*Deutsche Arbeitsfront*), which claimed to represent all of the *Volksgenossen* as opposed to just this or that trade union. Likewise, in 1934 the National Socialists reorganized the employers' associations according to the *Führerprinzip*, thus connecting them firmly to central authority and making them ultimately responsible to Hitler himself. Finally, business itself was *gleichgeschaltet*, organized hierarchically into district chambers, allowing the state to consolidate large industry to prepare for the war offensive. The Nazis were initially very successful at selling programs of government intervention, already initiated in the 1930s, to the public as particularly novel responses to economic crisis. They clothed in a nationalist guise such mundane emergency work measures as *Arbeitsdienst*, programs dating from 1931 which gave the unemployed jobs in the public sector repairing roads, maintaining forests and parks and so forth.[49] It is clear that the Nazis were not able to solve all of Germany's economic problems in one stroke, as popular memory still has it, nor was industry and big business synchronized nearly to the

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extent that Nazi planners had wished. Nevertheless, Hitler was able to give the impression that his politics had led to general economic recovery. This mystification of such real causes as the international recovery and the temporary boost of rearmament was a more important factor in his success than the economic realities behind Germany's resurgence. Furthermore, the Nazi terror machine targeted only non-conformists and non-"Aryans," leaving the bulk of the population relatively satisfied with collective ideologization and stringent state control after so many chaotic years of Weimar culture.

The Social Market Economy

Even before the defeat of Germany in 1945, American and British policymakers held it to be a truism that the collusion of business and the Nazis in creating economic autarky had been the main motor of the German "Master Plan," as a book on cartels written in 1943 was titled.[50] Thus, some of the first postwar laws passed were designed to break up cartels, trusts, syndicates and other monopolies.[51] The British, whose occupation zone extended over most of former Prussia, had ambitious plans to decentralize the German administrative structure and establish democratically elected local governments.[52] The Americans were particularly interested in "re-educating" the Germans on the fundamentals of a market economy.

The history of the Federal Republic turned out differently. The old tradition of reconciliation by umbrella organizations that coordinated the interests of business and labor, with government participation, gradually re-established itself as a characteristic feature of the German economy. It was hardly a coincidence that behind Ludwig Erhard's concept of a *Sozialmarktwirtschaft* (social market economy) lay the conservative cultural criticism of capitalism of Erhard's mentor, the philosopher Alfred Müller-Armack. In an influential book of the era, *Diagnosis of Our Times* (1949), Müller-Armack pleaded for a synthesis of two opposing forces: the ruthlessness of the market and the Christian concept of brotherly love. Müller-Armack's stress on the *social* side of the market equation typifies the general ambiguity of the German liberals in the postwar period. The founders of the social market economy, known as the "Ordo" group, after the economic journal of that name, were skeptical of unhindered market capitalism. Thinkers like Wilhelm Röpke and Alexander Rüstow advocated a social market as a collective healing process, by which social harmony should be instituted and traditional values, such as the sanctity of the family and Christian morality, preserved. Even the so-called Freibourg Group, economists who were more pragmatic and politically

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minded, saw the social market as a kind of objective mechanism which would regulate the collective in the most efficacious manner. They were not opposed to government intervention as long as its aim was to make competition even more effective. Thus, for example, government subsidies for the poor to pay rent were seen as enforcing the social market, but rent control was not.[53]

The "social state" (*Sozialstaat*, the same appellation used by Gottfried Feder) was built on four fundamental pillars after 1945: (1) old-age pensions; (2) health and accident insurance; (3) employment-creation and unemployment insurance; and (4) family support. Much of the groundwork for these policies had been laid in the Empire and Weimar and even under Nazi rule, but the welfare state of the Federal Republic is much more extensive and more complicated than anything Germany had had before. In contrast to the past, the Basic Law (*Grundgesetz*) of 1949, which is the closest the Federal Republic has to a constitution, made the state responsible for protecting its citizens from social insecurity. Later amendments provided for cooperation between the Federal government and the *Länder* in order to expand regional economic structures.[54]

The Americans were hardly enthusiastic about Erhard's collectivist vision of "prosperity for all" to be achieved by balancing social and economic interests, even granting that Erhard saw the market, and not central planning, as the means to increasing general wealth. The ruling Christian Democrats were able, over the years, to work around the objections of the Americans, and Konrad Adenauer pushed to greatly widen the spheres of state intervention, much to the dismay of Erhard, whose star fell rapidly in the mid-1960s. The Korean war helped Adenauer because the Americans had to pressure the German government to help supply the war effort by creating a "Federal Association of German Industry" (BDI), thus encouraging a pooling of resources by the big concerns, in a return to pre-World War I cartelization.[55]

In the eyes of the German electorate, the role of the state in regulating social conflict and distributing wealth came to be seen as having a higher priority than the unimpeded accumulation of wealth by individuals. *Geimeinnutz vor Eigennutz* (the welfare of the community comes before the welfare of the individual) is an old German maxim that has attained new currency, in part, as a reaction against recent German history. The general feeling in the immediate postwar years was that capitalism had caused the crises of the 1920s and 1930s which led to the catastrophe of National Socialism. Conservatives, Liberals and Social Democrats were united in their distrust of capitalism, and the compromise between their conflicting answers to the supposed crisis of capitalism, the social market economy, promised a combination of socialism and freedom. In the aftermath of

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thirty years of social and economic upheavals and an unprecedented regime of terror, the value of this combination of goals seemed self-evident to most Germans.[56]

The focus of the *Sozialstaat* is the family, supported by child payments (*Kindergeld*) and a large number of tax deductions for child-rearing couples. In contrast to the Swedish welfare state, which frees the individual from the burdens of the family, the German system deliberately upholds the family. For example, parents are bound by law to pay for the university education of their children, if the latter have achieved certain academic standards and if the former cannot prove economic distress. Likewise, a father whose unmarried daughter goes on welfare in order to provide for her child can be forced, against his will, to pay back the state for the welfare services if his income is high enough. Not only does the German welfare state eschew the individualism of the Swedish system; it serves to counteract what Schumpeter, for example, saw as the natural modern enervation of the family that follows on the decline of the economic imperatives that made it so important in peasant and dynastic economies.[57] The German state not only embodies the collective nation, but also elevates collective familial responsibilities over calculations of individual interest that would otherwise undermine the family.

Despite the occasional grumblings its policies inevitably caused, the German welfare state won popular support as long as Germany was breaking new economic records every year, in stark contrast to the deprivations of the war period. This support lasted until about 1980, as opinion polls showed. Researchers at the renowned Allensbach Institute asked Germans from 1969 to 1978 the following question: "There are various demands relating to economic policy on this list. Which three points do you personally consider the most important?"[58] The greatest support went to the statement, "Avoid a gradual devaluation of currency to keep prices from rising from one year to next" (between 70 and 80 percent). This answer is commensurate both with the traditional German fears of inflation and with the inflationary situation of the 1970s. Next highest on the list was the statement, "Have enough secure jobs" (60 percent in 1972 and 80 percent in 1978). Only around 35 percent of those polled thought that "government should spend less" or "government should reduce taxes." These results indicate that the nature of the overarching collectivity embodied by the state is no longer the quasi-religious entity of the Reformation, the state as an end in itself that we saw in the early modern period, or the organic remedy for social division of late modernity. In the 1970s Germans saw the "most important question we in West Germany should primarily concern ourselves with" as being economic (85 percent in 1975 and still 65 percent in 1980).[59] The

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allegiance of the citizens of West Germany now appears to be to the country's economic well-being.

Critics have declared this to be West German democracy's Achilles' heel: in a real economic crisis democracy would be easily shattered, because there is no devotion to the liberal order except as a means to economic ends.[60] Such collective myths as the "higher good of the nation" have been replaced by a kind of economic collectivism in which Germany's industrial muscle and trade figures are the basis of national identification.

Already in 1959, Theodor Adorno had castigated the Germans for their detachment from democratic values, but it is significant that, from a Western Marxist perspective, he valorized collective unity against particular interests:

> Democracy has not domesticated itself to the point that people really experience it as their cause, and so consider themselves agents (*Subjekte*) of the political process. It is felt to be one system among others, as if one could choose from a menu between communism, democracy, fascism, monarchy—yet not as something identical with people themselves, as the expression of their own maturity. Democracy is valued according to its success or failure, whereby special interests must come into play, rather than as the union of the individual and the collective interest.[61]

In a recent monograph on national identity[62] Harold James has developed the thesis that Germans identified most strongly with the collective when it was on the economic or political ascendant, as in the *Kaiserreich* or in the years of the "economic miracle" of the 1950s and 60s. The recurring reaction tended to be lamentation and despair about the crass materialism of German culture. James derives the tendency towards extreme political alignments, including the *völkish* movements of the nineteenth century and the anti-modern wing of the Greens today, from the success of Germany in adapting and modernizing, rather than, as the proponents of the *Sonderweg* thesis would have it, from Gemany's inherent inflexibility and traditionalism. Seen from this perspective, modern individualism and the strengthening of the collective are caught in a delicate and dialectical web of mutual reinforcement.

The Decline of Collectivism?

In the early 1980s cracks began to appear in the optimistic picture of Germany as a country which had balanced social progress against economic prosperity. The conservative backlash that helped bring Helmut Kohl and the Christian Democratic Party back to power in 1982 was not unrelated to the problems of the welfare state; the SPD was succesfully

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portrayed by its opponents as having mismanaged the economy and created a bloated and ineffective bureaucracy. Jürgen Habermas has also pointed to the fact that the upwardly mobile middle class, which originally benefitted from services of the welfare state, stopped supporting the SPD when it felt its economic status would be better preserved by paring down social programs for the poor.[63]

Detractors of the welfare state have become more vocal, arguing that government transfer payments benefit only the frequently unemployed or ill, and are an unjustified burden on the average earner.[64] The demand for deregulation of government monopolies led Kohl's government to adopt a more "Thatcherite" stance in the 1980s, but welfare-related costs have continued to rise (as they did under Thatcher). A possible explanation for this has been the appearance of a political force to the right of the CDU, the "Republicans," a party whose fortunes have now fallen, but who threw a real scare into traditional conservatives for several years in the mid-80s. The success of this party depended on the protest vote of an increasingly disgruntled lower class in Germany, who felt abandoned by the traditional parties.[65] Politicians feared losing votes to the radical right and were thus cautious about cutting welfare to the already alienated lower economic stratum.

The lower third of society, the unemployed, the elderly on fixed pensions, and low-wage earners, face rising costs of living with which their income does not keep up. They tend to blame the "system" for supporting a vast army of freeloaders—particularly foreign workers and their families who arrived in the late 1950s and 1960s, when there was a labor shortage, but are now often unemployed and possess permanent resident status. More dangerously, these people feel threatened by the increasing prosperity of the majority of the population, which has accomodated itself well to the dizzying tempo of modernization in a leading post-industrial society. Indications of the fears held by the minority turned up in a poll taken only two years ago. Thirty-seven percent of voting-age Germans agreed with the following statements:[66]

- Germans have a series of good characteristics, such as diligence, obedience and loyalty, which other peoples do not have.
- Atomic energy is ruining our genes and therefore the health of future generations.
- Increasing luxury in our society is mentally and physically ruining our people.
- The egocentric drive for prosperity is ruining a natural feeling for our national community (*Volksgemeinschaft*).
- Everything is changing so fast today that nobody knows where or what to hold on to.

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The divergence between those who are comfortable with and those who are fearful of modernity indicates that the consensus characterizing German economic and political rebuilding is falling apart. One can say that some time in the 1970s West Germany had finally "arrived," taking its place as one of the leading industrial nations and showing itself to be a pluralistic, workaday democracy. But this adjustment to the values and lifestyles of the West has obviously alienated the more traditional segments of German society. At such a juncture in history the political parties in a democracy tend to use the welfare state to redress the damage done to the social fabric. The CDU had to decide whether or not to remain a party of the middle, or move to the right in order to recapture the votes of the unhappy fringe. Politically, Kohl has taken the latter course, pushing for a stronger sense of national identity. He also views it as his personal mission to "lead the German people out of the desert" of international condemnation because of German guilt over the War and the Holocaust.[67]

The CDU's economic policies, however, have been a mixed bag. While tightening up on such core welfare programs as national health insurance with a major reform in 1988, the CDU has tried to lure back the *Kleinbürger* (little man) by increasing benefits to larger families and supplementing old-age pensions.

All of these measures have been overshadowed, of course, by the challenge of unification. Unemployment in what used to be East Germany has been estimated by the German Institute for Economic Research at 21 percent.[68] In the last half of 1990 industrial production sank almost 50 percent, and many firms are facing certain bankruptcy. The latest tax hike by the Kohl government, reversing a central campaign promise, has been justified in part by the realization that free enterprise has not led to a second economic miracle and that the federal government will have to bail out the five new federal states.[69] In particular, the welfare state will be called upon to provide a buffer against rapidly rising unemployment and the large income differential which makes eastern Germany the poorer cousin of the west. After the general election of December 2, the economics minister, Helmut Haussmann, quit his post, after withering criticism from within his own party that the government had neglected to rebuild East Germany's industrial base and public services.[70] Haussmann is a member of the Free Liberal Party, the only parliamentary bloc which supposedly stands for less, not more government intervention.

Although most Germans are still elated by the political events of the last year which led to unification, economic fears in east and west have tempered any flights of collectivist nationalism. Timothy Garton Ash

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hit the mark when he wrote that the German eagle is unbound, but rests on its perch quietly scratching its feathers, far too preoccupied with internal problems to be either a menace or a badly needed help to its neighbors.[71] A reformulation of "economic collectivism" may be called for.

* * *

In this essay my goal has not been to argue for or against the virtues of the collectivist state in German history. Instead I have tried to show that it is a consistent feature of the nation's history, though its success or failure has depended largely on the particular problems it was designed to correct. Collectivism in the German context can be defined as the conscious desire to use the state to impose order and design on the fluctuations of the human character and the social body. In a nation where the attainment and breakdown of social order is a familiar historical experience, collectivism will likely remain a constant factor.

NOTES

1. *Encyclopedia Americana*, vol. 7 (Danbury, Conn: Grolier, 1990), 238.
2. *Meyers Encyklopädisches Lexikon*, vol. 14 (Mannheim: Lexikon Verlag, 1975), 54.
3. The standard works on pre-Nazi ideology are George L. Mosse, *The Crisis of German Ideology* (New York: Schocken, 1981), and Fritz Stern, *The Politics of Cultural Despair* (Berkeley: University of California Press, 1961).
4. The concept is conspicuously absent in the German dictionary of ideas: Reinhard Koselleck, *Historische Semantik und Begriffsgeschichte*, 5 vols. (Stuttgart: Klett-Cotta, 1979).
5. Leonard Krieger, *The German Idea of Freedom* (Chicago: University of Chicago Press, 1972), 468. On the vertical perspective, see Ralf Dahrendorf's classic account, *Society and Democracy in Germany* (New York: Norton, 1967).
6. See William J. Bouwsma, *The Interpretation of Renaissance Humanism*, 2nd ed. (Baltimore: American Historical Association, 1966). For a dissenting opinion, see the contribution by Lynn Thorndike in the issue of the *Journal of the History of Ideas* specially dedicated to this question: vol. 4 (1943): 65–74. On nominalism, see William J. Courtney, "Nominalism and Late Medieval Religion," in Charles Trinkhaus and Heiko A. Oberman, *The Pursuit of Holiness in Late Medieval and Renaissance Religion* (Leiden: E.J. Brill, 1974), 26–58.

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7. Ernst Troeltsch, "Renaissance and Reformation," in Lewis W. Spitz, ed., *The Reformation: Basic Interpretations* (Lexington, Mass.: D.C. Heath and Company, 1974), 38–9.
8. Gerald Strauss, *Nuremberg in the Sixteenth Century* (Bloomington: Indiana University Press, 1976), 171 ff.
9. These rules and regulations of the German city states are called *polizeiliche Ordnungen* (police regulations), and historians have called the legal entities *Polizeistaaten*. Although we should be careful not to fall into anachronism and see here the modern workings of a police state, the element of coercion is nevertheless very much present. See the entries "Polizei" and "Polizeistaat" in Werner Digel, ed., *Meyers Taschenlexikon Geschichte*, vol. 5 (Mannheim: Bibliographisches Institut, 1982), 60–61.
10. Michael Walzer, *The Revolution of the Saints: A Study in the Origins of Radical Politics* (Cambridge, Mass.: Harvard University Press, 1965), 2. On the origins of Calvin's extreme anxiety about the collapse of order in society see William J. Bouwsma's brilliant new biography, *John Calvin: A Sixteenth-Century Portrait* (London: Oxford University Press, 1988), esp. 69–98.
11. Max Weber, *Max Weber: Essays in Sociology*, ed. and trans. H.H. Gerth & C. Wright Mills (New York: Oxford University Press, 1958), 334.
12. Hans Christoph Rublack, "Reformatorische Bewegung und städische Kirchenpolitik in Esslingen," in Ingrid Batori ed., *Städtische Gesellschaft und Reformation* (Stuttgart: Klett-Cotta, 1980), 191–221, esp. 218–19.
13. See the essays collected in James D. Tracy, ed., *Luther and the Modern State in Germany*, vol. 7 (Ann Arbor: Edward Brothers, 1976).
14. See Reinhold August Dorwart, *The Prussian Welfare State before 1740* (Cambridge, Mass.: Harvard University Press, 1971).
15. Hans Rosenberg, *Bureaucracy, Aristocracy, and Autocracy: The Prussian Experience 1660–1815* (Boston: Beacon Press, 1958), 14.
16. Jürgen Tampke, "Bismarcks Sozialgesetzgebung: Ein wirklicher Durchbruch?," in Wolfgang J. Mommsen & Wolfgang Mock, eds., *Die Entstehung des Wohlfahrtstaates in Großbritanien und Deutschland, 1850–1950* (Stuttgart: Klett-Cotta, 1982), 80.
17. Jürgen Reulecke, "Englische Sozialpolitik um die Mitte des 19. Jahrhunderts im Urteil deutscher Sozialreformer," in Mommsen, 40–57.
18. Theodore S. Hamerow, *Restoration, Revolution, Reaction: Economics and Politics in Germany, 1815–1871* (Princeton: Princeton University Press, 1966), 19.
19. Tampke, 81.
20. The *Sonderweg* thesis is most closely associated with the so-called Bielefeld School, of which Hans Ulrich Wehler, Heinrich August Winckler, Jürgen Kocka, and Hans-Jürgen Puhle are the most important representatives. For a critical perspective see Helga Grebing, *Der deutsche Sonderweg in Europa 1806–1945: Eine Kritik* (Stuttgart: Kohlhammer, 1986). Grebing

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argues that it was really England that had an aberrant political development, while Germany, with its crises of modernization, resembled most other European countries.

21. See Georg G. Iggers, *The German Conception of History: The National Tradition of Historical Thought from Herder to the Present* (Middletown, Conn.: Wesleyan University Press, 1983), 229-93.
22. For the former, conventional view see Hans Jaeger, *Geschichte der Wirtschaftsordnung in Deutschland* (Frankfurt/Main: Suhrkamp, 1988), 64 ff. Barkin's reformist thesis is contained in his *The Controversy Over German Industrialization, 1890-1902* (Chicago: University of Chicago Press, 1970), 187.
23. Thomas Nipperdey, *Deutsche Geschichte 1800-1866: Bürgerwelt und starker Staat* (Munich: Beck, 1983). The key essays have been collected in *id.*, *Gesellschaft, Kultur, Theorie: Gesammelte Aufsätze zur neueren Geschichte* (Göttingen: Vandenhoeck & Ruprecht, 1976).
24. Nipperdey, *Gesellschaft, Kultur, Theorie*, 184 ff.
25. *Ibid.*, 175.
26. Quoted from Edward Dickenson, *State, Family and Society in Modern Germany: Child Welfare Policies from the Kaiserreich to the Federal Republic* (dissertation in progress, Department of History, University of California at Berkeley), ch. 5, 15.
27. Walter Vogel, *Bismarcks Arbeiterversicherung: Ihre Entstehung im Kräftespiel der Zeit* (Braunschweig: Georg Westermann Verlag, 1951), 142-6.
28. Volker Hentschel, *Geschichte der deutschen Sozialpolitik 1890-1980* (Frankfurt/Main: Suhrkamp, 1983), 7-54.
29. Hans Rosenberg, *Große Depression und Bismarckzeit: Wirtschaftsablauf, Gesellschaft und Politik in Mitteleuropa* (Berlin: de Gruyter, 1967). Rosenberg's thesis has been contested by some economic historians; see Alexander Gerschenkron, "The Great Depression in Germany," in *id.*, *Continuity in History and Other Essays* (Cambridge, Mass.: Harvard University Press, 1968), 405-8. Rosenberg's project of examining the interconnections between economic and political aspects of the Empire was a pioneering achievement and has greatly influenced German social history since the 1960s. Geoff Eley has argued that Rosenberg's approach to studying complex social totalities is essentially correct, although we must beware of reductionism and overstating the homogeneity of a historical phenomenon like the "Great Depression." See Eley, *From Unification to Nazism: Reinterpreting the German Past* (London: Allen & Unwin, 1986), 23-41.
30. See Hans Rosenberg, "Political and Social Consequences of the Great Depression of 1973-1896 in Central Europe," in James Sheehan, ed., *Imperial Germany* (New York: New Viewpoints, 1976), 40-60. On the relationship between economic crises and anti-Semitism see Sarah Gordon, *Hitler, Germans and the Jewish Question* (Princeton: Princeton University Press, 1984).

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31. See Eley, *From Unification to Nazism*, 237–48.
32. Rosenberg, "Groβe Depression und Bismarckzeit," in Sheehan, ed., *Imperial Germany*, 47.
33. James J. Sheehan, *German Liberalism in the Nineteenth Century* (Chicago: University of Chicago Press, 1978), 111 ff.
34. James J. Sheehan, "Cohesion and Conflict among German Elites in the Nineteenth Century," in *id.*, ed., *Imperial Germany*, 70.
35. For the argument that German bourgeois society kept pace, in key aspects, with its West European counterparts, see David Blackbourn and Geoff Eley, *The Peculiarities of German History* (New York: Oxford University Press, 1984).
36. Heinrich August Winkler, ed., *Organisierter Kapitalismus: Voraussetzungen und Anfänge* (Göttingen: Vandenhoeck & Ruprecht, 1974). The idea originated with Rudolf Hilferding, the Social Democratic economist and historian, who thought that in the late nineteenth century the appearance of cartels, labor unions, protective tariffs and welfare policies meant that the ups and downs of capitalist cycles were being replaced by planning and organized economic procedures. The concept was revived by the Bielefeld School (Wehler, Kocka, Winckler) in the 1970s, though since "organized capitalism" was a trans-European phenomenon, it somewhat undermined the *Sonderweg* thesis. See Charles S. Maier, *Recasting Bourgoeis Europe* (Princeton: Princeton University Press: 1975).
37. See Ulrich Nocken, "Corporatism and Pluralism in Modern German History," in Dirk Stegmann, Peter-Christian Witt, and Bernd-Jürgen Wendt, eds., *Industrielle Gesellschaft und politisches System: Beiträge zur politischen Sozialgeschichte* (Bonn: Verlag Neue Gesellschaft, 1978), 37–55.
38. Jaeger, 104 ff.
39. Wehler, 43 ff. Wehler argues that in comparison with the U.S., Great Britain, France and Sweden, the wages of the working class rose slowly. Wehler's interpretaion of "unequal economic growth" among industrializing states has been contested by some scholars who reject his thesis of "social imperialism." See Wolfgang Mommsen, ed., *Theories of Imperialism: A Critical Assessment of the Various Interpretations of Modern Imperialism*, trans. P.S. Falla (New York: Random House, 1980), 94–100.
40. Jürgen Kocka, *Facing Total War: German Society 1914–1918*, trans. Barbara Weinberger (Cambridge, Mass.: Harvard University Press, 1984).
41. *Ibid.*, 29.
42. *Ibid.*, 34.
43. Don Lavoie, *National Economic Planning: What Is Left?* (Cambridge, Mass.: Ballinger, 1985), 226–30.
44. *Ibid.*, 228.
45. Gerald D. Feldman, "German Business between War and Revolution," in Gerhard A. Ritter, ed., *Entstehung und Wandel der modernen Gesellschaft* (Berlin: Walter de Gruyter & Co., 1970), 312–42.

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46. See Gerald Feldman and Irmgard Steinisch, *Industrie und Gewerkschaften 1918–1924: Die überforderte Zentralgemeinschaft* (Stuttgart: Deutsche Verlagsanstalt, 1985), 11–133.
47. Knut Borchardt, "Zwangslage und Handlungsspielraum in der großen Wirtschaftskrise der frühen dreißiger Jahre," in *Jahrbuch der bayerischen Akademie der Wissenschaften* (1979): 85–132.
48. Gottfried Feder, "The Social State," in *Nazi Ideology before 1933: A Documentation*, ed. and trans. Barbara Miller Lane and Leila J. Rupp (Austin: University of Texas Press, 1978), 39 (emph. in original).
49. See Peter D. Stachura, *The Weimar Republic and the Younger Proletariat: An Economic and Social Analysis* (London: MacMillan, 1989), 123 ff.
50. J. Borkin and C.A. Welsch, *Germany's Master Plan*, quoted in Volker R. Berghahn, *The Americanization of West German Industry, 1945–1973* (New York: Cambridge University Press, 1986), 85.
51. Rolf Steiniger, *Deutsche Geschichte, 1945–1961: Darstellung und Dokumente*, vol. 1 (Frankfurt/Main: Fischer, 1983), 194–6.
52. Most of the British goals, including the dismantling of the civil service, failed because the everyday demands of running the business of zonal administration required centralized bodies (*Sonderverwaltungen*) which were not much different from the old Prussian ministries. The civil servant system, to which even teachers belong, remains firmly entrenched up to the present day. This means not only that all teachers in Germany have life-time tenure, but that they also take an oath of allegiance to the state. On British policy between 1945 and 1949, see Ian D. Turner, ed., *Reconstruction in Post-War Germany: British Occupation Policy and the Western Zones 1945–55* (Oxford: Berg, 1989), esp. 189–214.
53. This example cited by Norman Barry, *The New Right* (London: Billing & Sons, 1987), 181.
54. M. Donald Hancock, *West Germany: The Politics of Democratic Corporatism* (Chatham, N.J.: Chatham House Publishers, 1989), 51.
55. The BDI was responsible for coordinating efforts at supplying the Americans with war materiel. See Werner Abelshauser, "Ansätze 'korobativer Marktwirtschaft' in der Korea-Krise der frühen fünfziger Jahre," *Vierteljahresheft für Zeitgeschichte* 4 (1982): 715–56 and *Die Korea-Krise als ordnungspolitische Herausforderung der deutschen Wirtschaftspolitik: Texte und Dokumente* (Stuttgart: Gustav Fischer Verlag, 1986).
56. On the general consensus on social questions between left and right after 1945, particlarly in regard to the political platforms of the CDU and the SPD, see Hans Günter Hockerts, *Sozialpolitische Entscheidungen im Nachkriegsdeutschland: Allierte und deutsche Sozialversicherungspolitik* (Stuttgart: Klett-Cotta, 1980), 223–31.
57. Joseph Schumpeter, *Capitalism, Socialism and Democracy*, 3rd ed. (New York: Harper and Row, 1950), 157–61.

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58. Elisabeth Noelle-Neumann, *The Germans: Public Opinion Polls, 1967–1980* (Westport, Conn.: Greenwood Press, 1981), 299.
59. *Ibid.*
60. See Jürgen Habermas, *Die nachholende Revolution* (Frankfurt/Main: Suhrkamp, 1990), esp. 149–79.
61. Theodor W. Adorno, "What Does Coming to Terms with the Past Mean?" in Geoffrey H. Hartmann, ed., *Bitburg in Moral and Political Perspective* (Bloomington: Indiana University Press, 1985), 118.
62. Harold James, *A German Identity 1770–1970* (New York: Routledge, 1989).
63. Jürgen Habermas, *Die Neue Unübersichtlichkeit* (Frankfurt/Main: Suhrkamp, 1985), 150.
64. See Meinhard Miegel, "The Need for a New Debate," in Peter J. Katzenstein, *Policy and Politics in West Germany: The Growth of a Semisovereign State* (Philadelphia: Temple University Press, 1987), 202–4. For an overview of debates just at the end of the Social Democratic reign see Helmut Klages, *Überlasteter Staat-Verdrossene Bürger? Zu den Dissonanzen der Wohlfahrtsgesellschaft* (Frankfurt & New York: Campus Verlag, 1981).
65. For an excellent analysis of this phenomenon see Peter Glotz, *Die deutsche Rechte: Eine Streitschrift* (Stuttgart: Deutsche Verlags-Anstalt, 1989). Economic distress is currently strengthening the extreme right in eastern Germany, as it did a decade ago in the west.
66. SINUS poll, 1988, reported in Glotz, 31.
67. Raul Hilberg "Bitburg as Symbol," in Hartmann, 16.
68. Claus Noé, "Der Staat ist gefordert," *Die Zeit*, March 1, 1991, 11.
69. See Peter Christ, "Erst die Einheit, nun die Pleite," *Die Zeit*, Feb. 22, 1991, 1.
70. *New York Times*, December 4, 1990, A12.
71. Timothy Garton Ash, "Germany Unbound," *New York Review of Books*, Nov. 22, 1990, 11–15.

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David L. Prychitko

THE WELFARE STATE: WHAT IS LEFT?

With the demise of socialism in Eastern Europe, the Western welfare state is treated as the unquestionable alternative by most intellectuals. They have yet to come to terms with what Claus Offe, the German sociologist, describes as the contradictions of the welfare state and the persistent crises of crisis management. This paper critically assesses Offe's contribution in light of the recent reforms in "really existing socialism." The author contends that although Offe's neo-Schumpeterian argument goes a long way toward explaining the present instability of the welfare state and the contradictions of state intervention in general, including that of the socialist-interventionist state, Offe does not realize that his analysis casts into serious doubt the claim that the welfare state is a viable corrective to either unbridled markets or state socialism.

> When the Left, in Europe and America, can conceive of no solution to the crisis other than state-managed capitalism, and still looks to Keynes for remedies which, already ineffective under Roosevelt, have become inapplicable, then it is clearly about to die from lack of imagination.
>
> —*André Gorz*[1]

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The autumn of 1989 ushered in the collapse of "really existing" socialism. Previously, one would never have known from most leftist theoretical work that socialism was in such dire straits as to call its basic presuppositions into question. Now, with the massive shift of Western intellectual opinion away from socialism and toward the market-based welfare state, we seem poised to forget that it, too, is in serious trouble. Welfare programs that, little more than a year ago, were widely considered to be deeply, if not intractably flawed, are now held up as models that Eastern Europe should emulate. On the left, the formerly excoriated welfare state, once assumed to be an instrument of class hegemony, has suddenly found legions of new supporters.

Jürgen Habermas and especially Claus Offe are among the few leftist writers who have attempted to offer a critical, systematic analysis of the welfare state. Offe, who upholds a sophisticated, post-Marxist methodological holism, has exposed the contradictory nature of welfare-state intervention in the market. His conclusions weaken the assumption that the welfare state is a viable corrective to the economic problems of capitalism. Yet Offe does not realize that implication of his work: he shares the assumption that the welfare state is a necessary response to capitalism. Thus, Offe is convinced that for all its contradictions and undesirable consequences, the welfare state is an irreversible development. In this paper I wish to reappraise Offe's somewhat puzzling contribution to the fiscal sociology of the welfare state.[2]

The Critical Theory of the Welfare State

The strength of the Habermas-Offe approach is in its attempt to explain economic crises in general, and the problem of the welfare state in particular, from a systems perspective. They maintain that crises issue from systemically inherent contradictions in society. Habermas writes, for example, that "crises in social systems are not produced through accidental changes in the environment, but through structurally inherent system imperatives that are incompatible and cannot be hierarchically integrated."[3] He adds that crises arise from "unresolved steering problems."

Habermas develops his argument in the following manner. In liberal capitalism, voluntary exchange of private property through the medium of money works as the fundamental "steering mechanism." The market process has two functions.[4] First, it serves an organizational purpose: economic exchange brings about a far-reaching, complex allocation of scarce commodities. Purchases and sales motivated by personal gain are integrated through the use of monetary price signals and profit-and-loss

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accounting. The second function, argues Habermas, is ideological: private property and market exchange institutionalize a class relationship between owners and nonowners of capital. As long as the market runs smoothly and society is near or at full employment, the working classes have little occasion to question the system.

An economic crisis (such as a recession), however, may lead to mass loyalty problems. That is, an economic crisis may create a social or political crisis as well, because the fundamental organizing principle itself—the market process—can easily, if not inevitably, become the focus of discontent. As a recession deepens, conflicts of interest will worsen between owners and workers. Those laid off or thrown out of work may go beyond simply blaming their former managers and businesses if they find no jobs available elsewhere. They may become discontented with the economy as a whole, and in the long run may question the market system itself.

For Habermas, the welfare state is a response to such crises. He writes: "The bourgeois state could not rely on the integrative power of national consciousness alone; it had to try to head off the conflicts inherent in the economic system and channel them into the political system as an institutionalized struggle over distribution. Where this succeeded, the modern state took on one of the forms of social welfare state—mass democracy."[5] Even today, in the late twentieth century, "the origins of the crisis still lie in the economic system of capitalism, but . . . the Welfare State no longer allows the crisis to explode in an *immediately* economic form. Instead, when there is a recession and large-scale unemployment, the symptoms of the crisis are displaced into strains within the cultural and social order."[6]

Habermas argues that the market system, if left alone, will ultimately lead to a series of incompatible claims on behalf of workers and owners of capital. Swings in the business cycle, and especially the downturns that generate lengthy recessions or depressions, tend to incite the laboring classes to call for something other than the market "alone" to generate jobs or, more generally, incomes. Short of totally abolishing the market system, state intervention is expected to improve market performance and economic conditions. Hence, a second "steering mechanism" appears—administrative power, or bureaucracy.

And yet, Habermas is quite aware that the modern economy is too complex to be bureaucratically controlled. Counter to intuitive expectations, such complex orders are fundamentally anarchic; the economy cannot be "run" by anybody. State interference, then, must yield a series of unintended, even undesirable consequences.

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Hence the potential for a legitimation crisis. The welfare state remains legitimate only if it renders the anarchic organizational principle stable by compensating for business cycles (neither Habermas nor Offe consider the possibility that cycles may result from centralized state banking institutions in the first place) and for the economic disturbances that are unintentionally caused by state intervention.[7] (In the new vogue of the welfare state, it has been temporarily forgotten that over the last two decades, Western economies have been in turmoil as the welfare state has become both overloaded with growing claims and increasingly chaotic in its effects.)

Offe, like Habermas, recognizes that the welfare state faces a "precarious double function." It must intervene in market exchanges in order to deter what are thought to be inherent instabilities, yet it must also abstain from intervening in order to ward off the undesirable consequences of intervention.[8] A legitimation crisis of state and system arises when, in the name of stabilizing the market system, state intervention unintentionally encourages greater instability. Offe writes:

> If the dominant organizational principle of the social processes of every capitalist society is that of exchange, a theory of the crises of capitalist society can identify those processes which challenge the dominance of this central principle.[9]

Offe tries to abandon the traditional approach of historical materialism, an approach that views crises as inevitable contradictions of the system of commodity production and exchange (something that still haunted the early Habermas).[10] As an alternative, Offe calls for a theory that approaches crisis as the unintented result of a clash between fundamentally different systems of organization (namely the anarchic market process and the planned intervention of the tax-based welfare state):

> Not the self-negation of the exchange principle but its restriction and questioning . . . would serve as the criterion of crisis processes.[11]

Offe's approach to the problems of welfare-state capitalism is something of a rarity among the post-Marxist left. He sees neither economic crises, nor crisis management, as the fundamental problematic of the welfare state. Rather, for Offe, the left must come to terms with the continuous failure of crisis management:

> Today . . . the tantalizing and baffling riddle (in a political as well as theoretical sense) is why capitalist systems have so far been able to survive—in spite of all existing contradictions and conflicts—even though an intact bourgeois ideology that could deny these contradictions and construct the image of a

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> harmonious order no longer exists. . . . A theoretically useful and practically relevant way out of this dilemma may lie in the attempt to see neither 'crises' nor 'crisis management' but rather 'crises of crisis management' as a constant—in the attempt, in other words, to systematically anticipate and analyse the deficiencies and limitations of the stabilizing activity of the state.[12]

Interventionism—the idea that the monetary, fiscal, and welfare measures of the state can rationalize and ward off major economic problems—is itself in crisis. "Everyone is convinced of the facts of the crisis," observes Offe, a bit prematurely.[13] Welfare-state interventionism has failed to create a viable middle ground between unbridled markets and hierarchical central planning. Even though he does not seem to consider recent claims that free markets with competitive note issue (free banking) might reduce the likelihood of business cycles, Offe rightly observes that Keynesian-type monetary and fiscal policies, which seek to enhance economic growth and secure full employment, combined with welfare-state transfer-payment programs that try to compensate for the contingencies and inequalities of markets, have created nothing short of "the worst of both worlds": namely, high unemployment and recurrent inflation.[14] The Keynesian welfare state antagonizes and threatens the market process: it undermines incentives to save, invest, and produce efficiently. It thus undermines its own legitimacy.

Offe's Neo-Schumpeterianism

Offe's theory of the crises of crisis management recognizes the incompatibility between plan and market, broadly considered. The purpose of the welfare state is at once to restrict, reorganize, and redefine the rules and outcomes of the market process, without threatening the fundamental spontaneity of that process. For example, Keynesian monetary and fiscal policy does not attempt in any way to replace the spontaneously generated market process with detailed, comprehensive planning. Keynes considered himself a realist in the classical liberal tradition (recall, for instance, his concluding notes in the *General Theory*). The idea was, and still is, for state officials to provide planned, rational intervention in order to improve the working and outcomes of the unplanned market process. The problem, as Offe sees it, is that Keynesian welfare-state policies attempt to do the impossible. First, the expenditures of the welfare state are generally not self-financing (notwithstanding the imaginative but fictional notion of budget-balancing multipliers); consequently, Keynesian welfare-state policies must create a chronic fiscal problem. Second, the disposal of relevant

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and useful information and the ability to forecast the effects of intervention have not proved possible, despite an ever-growing bureaucracy. The growth of the welfare state has, in fact, undermined administrative rationality. Third, although the welfare state arose in order to maintain mass loyalty to the capitalist system by improving its outcomes, it is instead quickly losing mass support as it continuously fails to deliver the goods.[15]

Offe points out that the problems of the welfare state emerge from the structural incompatibility between tax-based interventionism and the spontaneous order of the market. Interventionist policies seek to maintain and improve the overall market system, but they consistently and systematically deprive producers of a portion of their capital value. This unintentionally creates disincentives to save and accumulate capital, which in turn diminishes economic growth. Diminished growth places an even greater responsibility on the officials of the welfare state to improve the situation for which they are largely responsible in the first place. Moreover, diminished growth reduces the flow of fiscal resources going to the state.

Although the welfare state is not designed to abolish the market process as the dominant organizational principle, Offe contends that the welfare state has, over time, restricted and limited the principle to such an extent that the welfare state has threatened its ability to reproduce itself. By exacerbating the problems of the market, the welfare state itself has become self-paralyzing and self-destructive.

Offe's notion of self-destructiveness is plausible in light of recent history, but it is not very well developed.[16] His focus on the structural problems and incompatibilities of welfare-state intervention into the spontaneous ordering of the market economy could benefit from explicit comparison with the similar views of Joseph Schumpeter.

In his unduly neglected article, "The Crisis of the Tax State," Schumpeter tried to come to terms with the growing fiscal burden incurred by the post-World War I Austrian state.[17] Influenced by Rudolf Goldscheid's appeal to develop a "fiscal sociology" of the "tax state," Schumpeter proceeded to analyze the origin, nature, and prospects of the modern state. Schumpeter observed that the modern tax state has its origins in private property. The tax state that he speaks of, and that we face today, was created and formed by revenues appropriated from the use of private property. In other words, the modern tax state arose with the development of both state and civil society, the public and private domains.

Schumpeter clearly saw that the modern state is maintained by the productive activities that comprise the market process. A growing market allows for a greater division of labor and enhanced productivity, and thus the extent of the market affects the state's fiscal potential. The tax state is

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"derived" from the market system: "In this world," Schumpeter writes, "the tax state lives as an economic parasite." Hence,

> the tax state must not demand from the people so much that they lose financial interest in production or at any rate cease to use their best energies for it.[18]

Long before the "supply-siders" rode a short-lived wave of popularity, Schumpeter observed that levels of taxation in "almost all countries have shot way beyond the mark in this or that case of indirect taxation and have burdened some articles to such an extent that the fiscal interest of the state itself has been hurt and a tax reduction would lead to an increase in revenues."[19] Worse, taxing entrepreneurial profit hinders innovation and destroys the discovery-making potential of the market process. The state faces limits to its fiscal potential. When it pushes against those limits, it exacerbates the problems it originally set out to relieve:

> The fiscal capacity of the state has its limits not only in the sense in which this is self-evident and which would be valid also for a socialist community, but in a much narrower and, for the tax state, more painful sense. If the will of the people demands higher and higher expenditures, if more and more means are used for purposes for which private individuals have not produced them, if more and more power stands behind this will, and if finally all parts of the people are gripped entirely by new ideas about private property and the forms of life—then the tax state will have run its course and society will have to depend on other motive forces for its economy than self-interest. This limit, and with it the crisis which the tax state could not survive, can certainly be reached. Without doubt, the tax state *can* collapse.[20]

There seems to be, therefore, a strong parallel to Schumpeter in Offe's analysis of the contemporary welfare state. Furthermore, by recognizing the modern welfare state as a set of institutions that *contribute to* the problems of working people and the poor, as well as to the wealthy, Offe's contribution would appear to have a neoliberal quality, which may surprise anyone familiar with other neo-Marxist pronouncements on the topic.

The Issue of Irreversibility

But Offe's iconoclasm ends there. While he recognizes that both neoliberal therapy for the present crisis (privatization, deregulation, monetary and fiscal policy based upon rules rather than authority, etc.) and neoconservative traditionalism fail to come to grips with the core of the problem,

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Offe is trapped, by his assumption of the objective need for the welfare state, into being unable to offer any more realistic solutions.

He argues persuasively that

> On the one hand, there is a diffuse lament regarding the societal conditions produced in the political and economic process of modernization; on the other hand there is an appeal to politicians and actors in the public sphere, urging them to leave behind their conventional scruples and to set out on the path back to stability and 'order.' In the conservative world view, the crisis of governability is a disturbance in the face of which the false path of political modernization must be abandoned and 'non-political' principles of order (such as family, property, achievement and science) must again be given their due. The polemic against political modernization—against equality, participation and socialism—therefore appears to require no consistent justification, no political program, and no theory of political transition. Its proponents are content to forge a negative political coalition of those who (actually or purportedly) are threatened by reform. They do so through nebulous appeals to authoritative powers—which serious theoretical consideration would show to be either without substance or altogether subversive of their own appeals.[21]

Yet, because we need an interventionist welfare state, we are stuck with its growth and self-destructiveness:

> State institutions which assign legal entitlements to citizens become relatively 'rigid' or even irreversible. Not constrained by a definite index or 'stop rule' that would ensure they do not develop beyond the extent functionally required for the absorption of risks and uncertainties connected with wage labor, decommodified state institutions tend to develop an independent life of their own.[22]

Offe maintains that individuals within welfare-state systems have come to expect a panoply of legal claims, services and entitlements, irretrievably committing the welfare state to their provision. That, combined with Offe's (and many neoconservatives') incomplete appreciation of interventionist causes of poverty, and of the real potential for "private" forms of welfare provision—through market provision of such services as education and housing, as well as mutual aid and non-profit and charitable organizations—leads Offe to conclude that

> The welfare state is indeed a highly problematic, costly and disruptive arrangement, yet its absence would be even more disruptive. Welfare state capitalist societies simply cannot be remodelled into something resembling pure market societies.[23]

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Offe contends that the standard neoconservative response to the growing problems of the welfare state is not likely to bring about fundamental and lasting change. He correctly points out that neoconservatives and even neoliberals (he does not distinguish between them) largely seek to restore the authority of the state by reducing its range of responsibilities, but do not call for an unhampered market process. (The appeal to a central banking system managed by an appropriate monetary authority is a case in point.)

Offe, however, is unable to provide an alternative to the welfare state. He had entertained hopes for a tripartite corporatism as a non-state institutional arrangement to reconcile markets and planned intervention. But more recently Offe has concentrated on the development of such new social movements as feminism, environmentalism, and pacifism, which express a greater concern for the quality of the social and ecological conditions of modernity than with class interests in the usual Marxian sense. He seems to anticipate a possible alternative in the alliance of these diverse movements and a growing trend toward eco-socialism, but provides no systematic idea of how they can overcome the welfare state.[24] In fact, these movements have themselves been eager to appropriate the welfare state to their own ends, and they tend to exacerbate the very problems Offe describes.[25]

What is Left?

Agnes Heller and Ferenc Fehér have recognized that, with the recent collapse of "socialism" in Eastern Europe, "we are living in an age of the explosion of political fantasy," of which the new social movements in general, and a renewed faith in the welfare state in particular, are examples.[26] But the economies that collapsed in Eastern Europe and the USSR were not, despite traditional socialist rhetoric, comprehensively planned systems. The fundamental organizing principle in "really existing socialist" countries was still the spontaneous exchange of *de facto* private property. The central planners had neither the power nor the knowledge to rationally control the myriad production and consumption decisions they claimed were part of the plan. Although they successfully created a "myth of the plan," as Peter Rutland calls it, they failed to achieve a true, rational and comprehensive plan.[27] Perhaps Saul Estrin and Julian Le Grand, themselves market socialists, said it best when they observed that although socialist ideology sought to destroy the "anarchy" of the market process, socialist practice could not avoid the "anarchy of central planning, with a perpetual sellers' market, speculation and corruption in black markets, and extensive waste and poor quality outside priority areas."[28]

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Such observations have enormous implications for the interventionist welfare state. They imply that socialist comprehensive planning is not falling apart in Eastern Europe—where it never existed—but rather that it is state interference with a perverted market system (backed by the rhetoric and ideology of socialist planning) that has recently failed.[29]

While the socialist-interventionist state now faces a legitimation crisis, the left has turned toward the "triumphant" welfare state. East European "socialism," however, was but a vastly exaggerated version of the Western interventionist welfare state; the fact that socialism has failed does not imply that the welfare state is a viable alternative, for the welfare state differs only in degree, and not in kind, from its miserable East European counterpart. This does not dictate the imminent or even the eventual disintegration of the welfare state, though it does raise that possibility as it grows ever larger. Even short of its collapse, however, the welfare state's contradictions, viewed in light of the Habermas-Offe analysis, might explain a good deal about the failings and dynamics of the welfare-state version of interventionism that appears to be victorious as the century turns.

NOTES

1. André Gorz, *Paths to Paradise: On the Liberation from Work* (Boston: South End Press, 1985), vii.
2. See, for example, Robert Heilbroner, "The Triumph of Capitalism," *The New Yorker*, January 23, 1989; Agnes Heller and Ferenc Fehér, "Does Socialism Have a Future?," *Dissent* 36, no. 3 (Summer 1989): 371–5; Michael Walzer, "A Credo for this Moment," *Dissent* 37, no. 2 (Spring 1990): 160. *Dissent* has become an exemplary forum for the left's turn to the welfare state—so almost any recent issue will do—but perhaps the best exchange of opinion has appeared in the Winter 1991 issue, which includes a symposium by Robert Heilbroner, Joanne Barkan, H. Brand, Mitchell Cohen, Lewis Coser, Bogdan Denitch, Ferenc Fehér and Agnes Heller, Branko Horvat, and Gus Tyler on "From Sweden to Socialism" (pp. 96–110).
3. Jürgen Habermas, *Legitimation Crisis* (Boston: Beacon Press, 1975), 2.
4. *Ibid.*, 25–6.
5. Jürgen Habermas, *Communication and the Evolution of Society* (Boston: Beacon Press, 1979), 193.
6. Jürgen Habermas, *Autonomy and Solidarity: Interviews*, ed. Peter Dews (London: Verso, 1986), 57–8.
7. Steven Horwitz has recently written in *Critical Review* that expecting politicized central banks to maintain monetary equilibrium has proved to be in vain (as is hoping they can be insulated from politics). Giving power

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over the money supply to a centralized authority may appear to make the system more flexible by centralizing decision making, but the unintended consequence is to subject the system to the incentive structures of the political marketplace. Any recognition of this is absent from Keynesian thinking about the desirability of discretionary monetary policy. Horwitz maintains that, even if central banking institutions could somehow get beyond public-choice incentives problems—which, for example, monetarism theoretically tried to do by advocating an appropriate monetary rule (which failed miserably during the Paul Volcker years)—central bankers of whatever persuasion would still confront a more fundamental problem. They would lack the knowledge necessary to effectively coordinate the supplies and demands for money. Horwitz, following the recent work of White, Selgin, Glasner, and Dowd, calls for free banking and competitive note issue in order to overcome both incentive and knowledge problems. See Steven Horwitz, "Keynes's Special Theory," *Critical Review* 3, nos. 3-4: 411-34. His argument is more fully developed in his *Monetary Evolution, Market Process, and Social Order* (revised version of George Mason University Ph.D. thesis, Fall 1990). Also see Lawrence H. White, *Free Banking in Britain* (Cambridge: Cambridge University Press, 1984) and *Competition and Currency: Essays in Free Banking and Money* (New York: New York University Press, 1989); George Selgin, *The Theory of Free Banking: Money Supply under Competitive Note Issue* (Totowa, N.J.: Rowman and Littlefield, 1988); David Glasner, *Free Banking and Monetary Reform* (Cambridge: Cambridge University Press, 1989); and Kevin Dowd, *The State and the Monetary System* (Oxford: Philip Alan, 1989).

8. "The precarious double function of the capitalist state continuously demands a combination of intervention and abstention from intervention, of 'planning' and 'freedom'—in short, it demands an 'opportunism' (Luhmann) whose adherence to its own principles is absolutely unswerving." Claus Offe, *Contradictions of the Welfare State* (Cambridge, Mass.: MIT Press, 1984), 50. It is clear that Offe (like Habermas) breaks from classical Frankfurt School critical theory on the issue of administrative control of society. Individuals who live within modern welfare-state societies are not victims of a complete administrative complex that controls nearly every aspect of their lives, as Adorno and the classical Frankfurt theorists would have us believe. Rather, Offe insists that although the state must stabilize the economy to remain legitimate, its interventions tend to further destabilize the economy. Administrators of the welfare state may enjoy positions of power, but their ability to control social processes is still very limited. Thus, Offe concludes that an approach which views state administrators as dominating society, as the earlier Frankfurt School did, "is nowadays misleading and perhaps dangerous, and must in my view be questioned" (*ibid.*, 255).
9. *Ibid.*, 38.

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10. Offe turns to systems theory because he believes that the "managers" of socioeconomic systems now understand how each system or subsystem (the market, the family, the state, etc.) is related to the others. The Federal Reserve, for instance, is entrusted with a tremendous degree of power and responsibility to manipulate the supply of money and credit and thereby ward off economic recessions. Offe maintains that bureaucratic institutions have emerged in order to control, regulate, and guide market processes. Hence traditional historical materialism is no longer relevant:

> It is basically wrong to assume that contemporary capitalist society continues to be the kind of anarchic liberal society considered from Mandeville to Marx. Welfare capitalist society has less the character of an anarchic interplay of unconscious forces, in which order is an unintended by-product. Order, in the sense of a complex and integrated coherence between different subsystems, is something that is consciously pursued by agents within the system. Of central importance is the capacity of state power to regulate and integrate discrepancies and conflicts. Whether state power is able to manage and reproduce the highly oppressive, irrational and self-contradictory capitalist system is of course an open question. (*Ibid.*, 257; cf. 49)

Offe apparently contradicts himself. At times he describes market exchange as anarchic; here he says it is not nearly as anarchic as Marx believed. But the contradiction is only apparent. Offe points out that modern, capitalist governments are increasingly entrusted with the responsibility of "guiding" the market system—order is indeed consciously pursued. In this sense contemporary capitalism differs from that of Marx's generation. On the other hand, though people within governments intend to create order, they rarely do so. They disrupt the system instead. Hence the recurring crises of crisis management: although agents of the welfare state try, bit by bit, to guide the anarchic market process, they always seem to fail. The fundamental organizational principle is still out of control.

11. *Ibid.*, 38.
12. *Ibid.*, 36.
13. *Ibid.*, 74.
14. *Ibid.*, 198–9.
15. *Ibid.*, 57–61.
16. There are other problems as well: Offe's reliance upon the notions of surplus value, the valorization of capital, and other categories of Marxist thought that have been discredited by a century of economic criticism. In spite of that, I believe he offers something of value to readers in search of a realistic theory of the welfare state.

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17. Joseph Schumpeter, *Die Krise des Steuerstaats* (1918); trans. W.F. Stolper and R.A. Musgrave as "The Crisis of the Tax State," *International Economic Papers* no. 4 (New York: Macmillan, 1954), 5–38. Although this article has been neglected in the past, the growing welfare state crisis has brought about a reawakened interest in Schumpeter's general thesis. See, for example, Daniel Bell, *The Cultural Contradictions of Capitalism* (New York: Basic Books, 1978), 227–32; Richard A. Musgrave, "Theories of Fiscal Crises: An Essay in Fiscal Sociology," in Henry J. Aaron and Michael J. Boskin, eds., *The Economics of Taxation* (Washington, D.C.: Brookings Institution, 1980), 361–90; and Horst Zimmermann, "Fiscal Pressure on the 'Tax State,'" in Horst Hanusch, ed., *Evolutionary Economics: Applications of Schumpeter's Ideas* (New York: Cambridge University Press, 1980), 255–73.
18. Schumpeter, "The Crisis of the Tax State," 20.
19. *Ibid.*, 21.
20. *Ibid.*, 24.
21. Offe, 79–80.
22. *Ibid.*, 264.
23. *Ibid.*, 288.
24. *Ibid.*, 290–9.
25. Cf. Bell, 225: "While much of this came pell-mell and piecemeal, what was not completely recognized and still is not, is that the government had made a commitment not only to create a substantial welfare state, *but to redress the impact of all economic and social inequalities as well.* Much of this was faltering; in actual fact, little as yet may have been accomplished. But the historical watershed is the fact that a normative societal commitment has been made, and it, too, is largely irreversible."
26. Heller and Fehér, 375.
27. Peter Rutland, *The Myth of the Plan: Lessons of Soviet Planning Experience* (La Salle, Ill.: Open Court, 1985). Michael Polanyi recognized this decades ago in his criticism of Soviet material balances planning. Polanyi argued that, as opposed to the theoretical model, the Soviet economy has been composed of numerous, conflicting planning centers—a "polycentric" as opposed to "monocentric" order. Coordination, to the extent that it occurred at all, took place not at the center of the planning hierarchy, but at the lower levels, among the individual enterprise managers who used their own discretionary authority and engaged in black market exchanges. Though the quantity and quality of outputs chosen and produced at the enterprise level became aggregated into a so-called central plan, and indeed were later published as a unified, centrally issued plan established by the directives of GOSPLAN (the Soviet central planning bureau), in fact the coordination of economic activities took place at the enterprise level, at the bottom of the hierarchy. True, production was traditionally geared to satisfy the demands of the officials of the socialist state. But production

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decisions were ultimately coordinated in a spontaneous (black) market setting. Thus Polanyi remarked, "in reality such an alleged plan is but a meaningless summary of an aggregate of plans, dressed up as a single plan." Michael Polanyi, *The Logic of Liberty* (Chicago: University of Chicago Press, 1951), 134. Cf. Paul Craig Roberts, *Alienation and the Soviet Economy* (Albuquerque: University of New Mexico Press, 1973); Eugene Zaleski, *Stalinist Planning for Economic Growth* (London: Macmillan, 1980); Don Lavoie, "Political and Economic Illusions of Socialism," *Critical Review* 1, no. 1 (Winter 1987): 1-35. Peter Boettke argues that the only sincere attempt to comprehensively plan a second-world society seems to have been immediately after the Bolshevik Revolution, during the so-called War Communism era (1918-1921) in the Soviet Union, and that was a grand failure. See Peter J. Boettke, "The Soviet Experiment with Pure Communism," *Critical Review* 2, no. 4 (Fall 1988): 149-82; "The Political Economy of Utopia: Communism in Soviet Russia," *Journal des Economistes et des Etudes Humaines* 1, no. 2 (June 1990); and his *The Political Economy of Soviet Socialism: The Formative Years, 1918-1928* (Boston: Kluwer Academic Publishers, 1990).

28. Saul Estrin and Julian Le Grand, "Market Socialism," in Julian Le Grand and Saul Estrin, eds., *Market Socialism* (New York: Oxford University Press, 1989), 12.
29. Cf. Jeffrey Friedman, "The New Consensus: I. The Fukuyama Thesis," *Critical Review* 3, nos. 3-4 (Summer-Fall 1989): 373-409, esp. 373-87.

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*Jeffrey Friedman**

THE NEW CONSENSUS: II. THE DEMOCRATIC WELFARE STATE

The goal of the left has been predominantly libertarian: the realization of equal individual freedom. But now, with the demise of leftist hope for radical change that has followed the collapse of "really existing" socialism, the world is converging on a compromise between capitalism and the leftist impulse. This compromise is the democratic, interventionist welfare state, which has gained new legitimacy by virtue of combining a "realistic" acceptance of the unfortunate need for the market with an attempt to libertarianize capitalism as much as possible, by intervening in its operation and redistributing the wealth it produces.

Since the neoliberal economic critique of socialism seems to have been borne out by the events of 1989, neoliberal economists might now be expected to provide a similar critique of the new interventionist consensus. Yet there are few signs of their interest in doing so. This might be due to their acceptance of an erroneous interpretation of liberty which equates it with capitalist property relations, and which, they believe, provides an overarching moral justification for their opposition to state intervention in the market. Acceptance of this moralistic, "libertarian" version of neoliberalism may

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obscure the need for a synthetic critique of the new consensus which would integrate the many extant consequentialist arguments against it.

Before reviewing the libertarian motives behind both socialism and interventionism, criticisms of moralistic neoliberal "libertarianism" are offered. These are intended to clear the way for a consequentialist critique of the interventionist welfare state. Finally, it is suggested that the problems with such a critique point toward a different project: a critique of the culture that gives rise to interventionism.

> We resent a call to thinking and hate unfamiliar argument that does not tally with what we already believe or would like to believe.
>
> —*Schumpeter*

The democratic welfare state is the institutional and ideological culmination of our age. As Francis Fukuyama argued, its spread signals "the end of history."[1] But that does not necessarily make it a good thing.

After having just experienced a major war, it may seem strange to continue to pay attention to Fukuyama's outlandish argument. But Fukuyama never proclaimed an end to important events.[2] Rather, his point was that we had reached the end of history in a restricted, "Hegelian" sense. With the principle of individual emancipation having defeated any plausible challengers, all that is left is debate over the most appropriate ways of using the liberal state to actualize that principle. This claim, surely, retains its initial plausibility.

Specifically, it was proposed in Part I of this essay[3] that there are two senses in which we can indeed be said to have reached the end of history. First of all, institutionally, the collapse of the really existing socialist societies reveals a convergence between "Eastern" and "Western" forms of economy: a movement toward the universal adoption of the state-regulated market in which wealth is redistributed by democratically elected governments.

To be sure, for Fukuyama this is not a matter of convergence; it is a clear-cut victory of "free markets" over "centrally planned" "socialism."[4] But this triumphalism is not essential to his position. Strict dichotomies between really existing socialism and (really existing) capitalism rest on a superficial understanding of both types of society. Following widely accepted practice, then, Fukuyama equates Communism with true socialism; this requires overlooking the importance of the "second" economy (i.e., black market exchange and freelance production in underground facilities and in state-sanctioned private farm plots) in the survival of "socialism"; and of a mangled version of market feedback—from plant managers to central authorities, who must repeatedly alter the central plan to accomodate the managers—in "socialism's" rudimentary functioning.[5]

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Part I described how seventy years ago, Boris Brutzkus, Max Weber and, most comprehensively, Ludwig von Mises argued that without private property, it would be impossible for socialist economies to calculate the relative efficiency of capital goods.[6] And without the ability to perform economic calculation, it would be impossible for an industrial society to function for long. Their argument sheds new light on the role of the underground economies and the distorted markets of official "socialism," suggesting that the remnants of the market may deserve the credit for allowing "socialism" to survive for so long—in spite of the argument against its theoretical possibility. If Mises et al. were right, then *the economies of the second world could not have been unadulterated "command" economies*, since such economies could not possibly have functioned with even a semblance of rationality for as long as those of the Soviet Union and Central Europe did.

The Misesian critique of socialist calculation was published at the very moment of the failure of the second world's only genuine attempt to implement socialism: Lenin's abolition of the market, during the period that came to be called "War Communism" (1918–1921).[7] This chronological coincidence allows us to assert that socialism collapsed, and that history "ended" in this respect, much earlier than Fukuyama contended: not with the ascension of Gorbachev, the liberation of Central Europe and the halting efforts of perestroika, but with the theoretical articulation of the impossibility of socialism in 1920 and the practical confirmation of it by the failure of War Communism. In 1921, Lenin retreated to the market-based New Economic Policy. Thereafter, even the multiyear plans of Stalin and his successors failed to do away with crucial, if primitive and grotesquely deformed, market mechanisms.[8] If Mises demonstrated the unfeasibility of socialism in 1920, Lenin proved him right in 1921.

Leaving aside economic institutions, Part I agreed with Fukuyama that on a second level, that of ideology, the once-controversial ideal of equal individual liberty now has no universally plausible competitors, and that in this sense, too, history has come to an end. But again, the date of the end of history was asserted to be earlier than Fukuyama claimed. It was not the defeat of existing Communism in 1989, but rather the ascension of communism as a theory in the nineteenth century, which confirmed the triumph of the libertarian ideal. For communism (like other forms of left political radicalism) is as much a product of secularized, emancipatory Christian egalitarianism as is liberalism. Therefore, the end of ideological history could well be thought to have occurred with the spread of the libertarian French Revolutionary ideas that eventuated in the victory of both radicalism and liberalism.

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In line with this analysis, the young Hegel saw the victory of Napoleon over Prussia as sealing the triumph of libertarianism in 1806. One might instead prefer to locate the end of ideological history in 1945, with the defeat of fascism—a possibility Fukuyama discusses. (One might even contend that the spread of authoritarian Islam shows that ideological history has not ended at all.) But no matter how one dates the end of ideological history, Part I held that it will not do to join Fukuyama in tying it to the collapse of Communism, as if this represented the downfall of an alien, authoritarian doctrine. For a non-tendentious understanding of Marxism must acknowledge that, like less radical forms of leftist thought, it takes more seriously than any conservative or classical liberal defense of private property the individualistic, egalitarian inheritance of the Enlightenment and of Western culture in general. The upshot is that it is the ideological left, not the neoliberal right, that truly represents the libertarian moral aspirations of the West. (The term "neoliberal" is used throughout to designate free-market thought, in place of the historically inaccurate depiction of such thought as "classical liberalism.")

Therefore, it would seem that the (presumed) demise of communist dreams in the epochal upheavals of 1989 must signal a dead end in Western thought—or rather a cul-de-sac. Unreachable socialism lies at one end. It is surrounded by failed second and third world half-measures. And at the entry road, to which the libertarian moral impetus has led us, are clustered the various first-world "models" of the mixed economy. (In this essay, these models are called both "interventionist" and "welfare" states, without much attention to the important differences between redistribution within and interference in market economies).

An end to ideological progress is at hand, then, unless we can find a different path than the one which has led to the welfare state. Part II attempts to identify such a path.

Section 1 argues that neoliberals possess, in their *consequentialist* arguments against the interventionist state, a potential way out of the end of ideological history. But they are unaware of this possibility to the extent that they share the *moralistic* thrust of Western culture. Specifically, neoliberals misunderstand their own worldview, and doom themselves to intellectual and political inconsequence, to the extent that they insist that it is they who truly represent the ruling idea of the age—the intrinsic goodness of individual liberty—instead of trying to develop a consequentialist critique of the consensus around the statist means of achieving that idea, a critique that would do to the welfare state what Mises's calculation argument did to socialism.

For convenience, moralistic or *non-consequentialist* neoliberalism will in this paper be called *"libertarianism."* The scare quotes are intended not to

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denigrate the doctrine or to impugn the sincerity of its adherents, but to distinguish it, in all its varieties and gradations, from the more consistent non-consequentialist *libertarianism* of the left.

Under the "libertarian" rubric, then, fall not only the systematic ideologies of Murray Rothbard, Ayn Rand and the early Nozick, but also the ideas of "individual rights," "liberty," "consent," and "choice," and of the moral irreducibility of individual "tastes and preferences," which may be found in the works of most Austrian and Chicago school economists and their offshoots in political science and political philosophy. In other words, a "libertarian" is anyone who believes that a system of unpatterned individual property ownership (capitalism) is morally equivalent to individual liberty. Not counted as "libertarians" are those neoliberals who claim only that capitalism *in practice* engenders a greater amount of individual liberty (or rather, individual well-being) than any other system.

Now in fact most neoliberals, "libertarian" or otherwise, make the latter, consequentialist claim. The problem is that when they combine it with moralistic "libertarianism," their consequentialism is rendered superfluous. To the extent that in their explicit or "official" philosophy, neoliberals discount the consequences of capitalism as compared to its *intrinsic* justice, they repudiate their own ability to transcend the new ideological consensus.

"Libertarian" moralism unquestioningly accepts the early leftist, i.e. classical liberal, equation of status quo property rights with individual freedom which was based not on free-market economics but on conservative mental habits. Elevating these habits to the status of moral absolutes requires laughing off as verbal legerdemain the claim made by the contemporary left that by questioning the sanctity of property, it seeks a more thorough form of "negative" individual freedom than the classical liberals did. For if not dismissed somehow, the later left's claim would show that neoliberal "libertarianism" is anachronistic. This is one ramification of Section 1 below, despite the focus of that section on left political *radicalism*, i.e. positive libertarianism, rather than on left *liberalism*, i.e. the leftist version of negative libertarianism.

In Section 2, the roots of contemporary "libertarianism" are excavated in order to separate its vital and important components from the overlay of moralistic philosophy under which they have been buried. The sound core of neoliberalism, it will be argued, consists of arguments in *comparative social theory* (primarily economics, but also political science and sociology) against the *ability* of state intervention to best secure the equal liberty agreed to by the Western consensus. A neoliberal retrieval of those arguments would ask whether the interventionist welfare state, like socialism, embodies not an immoral ideal—as "libertarians" claim—but a failure to take reality into account in trying to implement the libertarian ideal.

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If indeed the value of neoliberalism is in the superior grasp of social reality embodied in its arguments against intervention, a logical project of post-1989 neoliberalism should be a theory of the welfare state that draws together the many consequentialist criticisms of it (e.g., those listed at the beginning of Anthony de Jasay's paper in this issue).[9] Section 2 suggests that the reason such a consequentialist critique of the interventionist welfare state is not at hand is the implicit neoliberal assumption that "libertarian" moral arguments make it unnecessary.

Section 3 explores some of the factors a consequentialist critique of the welfare state would have to take into account, concluding that neoliberal economists, political scientists and sociologists will have trouble sustaining the radically abolitionist posture toward the welfare state that moralistic "libertarians" erroneously believe their doctrine validates.

But in Section 4 it is suggested that the neoliberal urge to abolish the welfare state in the first place may stem from the moralistic misreading of neoliberal origins. For when the roots of neoliberalism are revealed to be consequentialist in nature, enormous *cultural* as well as policy implications follow, implications which are easily lost from view beneath the overlay of "libertarian" moralizing. Specifically, it emerges that changing our anticapitalist culture should be at least as important to neoliberals as changing the anticapitalist policies it legitimizes.

Section 4, then, contains the second of two immanent arguments. It claims that if *consequentialist neoliberalism offers the best way for us to achieve libertarian values,* this will require breaking free of the non-consequentialist approach to social theory that is deeply rooted in our cultural tradition. But, as the first three sections show, *for neoliberalism to fulfill that promise, it must cast off the non-consequentialist, moralistic mode into which it has itself fallen.* The first three sections, therefore, constitute an immanent critique of moralistic neoliberalism—prefatory to an immanent neoliberal critique of moralistic liberalism as a whole.

1. LIBERTARIANISM

That Marx emerged from a tradition which valued individual liberty above all else was the burden of the second half of Part I. It was suggested that like Rousseau and Kant, Marx sought to create a society that combined negative liberty, the freedom to do whatever one wants, with positive liberty, the freedom to do what is right. (*Positive liberty*, as used in this essay, does not refer to "freedom to" rather than "freedom from." All freedom is both freedom to do things and freedom from constraints against doing them. Rather, positive liberty is freedom from constraints

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against doing what it is *right* to do, while negative liberty is freedom from constraints against doing whatever one wants to do.)

If Marx was a libertarian, it affects not only our understanding of what it is that has been defeated with the collapse of socialism; it bears on our understanding of the alternatives to socialism, both liberal and neoliberal.

Positive Libertarianism

To refer to positive liberty is not to engage in some kind of Orwellian doublespeak. It is to recognize the fact that we would not do what is wrong unless we were compelled to—whether by uncontrollable desires or by a failure to perceive what is right. In a very real sense, according to positive libertarianism, to do wrong is evidence that one's will has been coerced. To do right, then, manifests true freedom—freedom not only from external constraints on the exercise of one's will, but from the internal influences that may bend one's will to evil purposes. True freedom is positive in the sense that it includes freedom from what may appear to us as given, or posited: our impulses, our inclinations, the economist's "tastes and preferences." Positive liberty is freedom from the barrier interposed between us and the positive—the good—by the posited.

Negative liberty, the liberty that yields individual rights, is freedom from restrictions against acting upon our wills as they are posited to us. It is freedom from external coercion, as well as from deficiencies of the necessary means or power to do what we will—when these deficiencies are caused by human beings or human institutions. In recognition of the fact that a lack of economic resources qualifies as such a deficiency, contemporary negative libertarianism, i.e. the form of liberalism that displaced classical liberalism, favors measures that are intended to lead to a more egalitarian distribution of wealth.

Negative liberty is freedom from having our wills negated; it is also the freedom to do what is negative. For it is in the nature of a right (an absence of restraints) that it allows its possessor to do what is morally wrong. The *positive libertarian* asks: *Why should we grant moral standing to the freedom to do what is wrong?* Since, by definition, we cannot endorse what we believe to be wrong, why should we value freedom of action if not in order to liberate ourselves from whatever constraints keep us from doing what is right?

The negative libertarian urge for personal freedom, which at first seems to preclude the existence of any values more important than freedom of the will, on closer examination therefore *demands* such values if it is not to fall into incoherence. To maintain the value of negative liberty as an end in itself is nonsensical; yet to pursue the good—the only logical end of the

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negatively free will when it is considered as a means—is to deny the legitimacy of the absolute freedom to do what is wrong, and is therefore to contradict negative liberty.

The most powerful answer to positive libertarianism has been Isaiah Berlin's denial that it is a form of libertarianism at all. But his argument rests on a conflation of the *logic* of positive liberty and the *interpretation* of that logic implicit in the writings of the positive libertarians (as discussed below).[10] Berlin agrees with the positive libertarians that positive liberty is freedom to perfect oneself morally, and therefore claims that any positive libertarianism which presumes to "force people to be free" contradicts itself by paternalistically denying the individual the right to perfect him- or her*self*, i.e., to attain moral perfection voluntarily. But the apparent contradiction paternalism poses for positive liberty is simply an artifact of equating the latter with moral *self*-perfection. For self-perfection mixes together one possible means of achieving positive freedom—a self that is free from external constraints against taking the right action—with its end (the right action itself). It is *negative* libertarianism that is concerned to secure that particular means. Positive libertarianism is (logically) concerned only with the end, right action.

Surely there are other means than freedom from external constraint by which right action can be achieved. Someone can, after all, be "forced" to do what is right. Strictly speaking, positive libertarianism calls not for right action "willingly" undertaken, but simply for right action. It is a mistake, therefore, to conflate positive liberty with self-perfection. For in the pure positive libertarian view, paternalism and other forms of "coercion" in the service of morality are not philosophically self-defeating (although they may well be as a practical matter), much as this offends our usual way of thinking. The paradigm of liberty as freedom from the constraints that prevent one from acting morally thus stands unchallenged by internal inconsistency.

Individualism As a Form of Egalitarianism

The same cannot be said, however, for the paradigm of negative liberty. We have just seen that *in general*, it does not make sense to value freedom of action if one does not value, *even more*, the morality of the action one is free to perform. But there is another contradiction in negative libertarianism: the fact that it bounds one person's negative freedom by that of another. If rights are equal, such that my freedom of action does not include the right to kill you, this must be due to the stipulation that there lies in you a higher moral value than my untrammelled liberty. Secreted within individualism, in other words, is not only a declaration that there is *some*

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higher morality than freedom of action; there is also a specific content of that morality: egalitarianism. The same logic that leads me to respect your negative freedom would seem to impose obligations that violate mine. If you are entitled to my respect, why not also to my care?

That is the question raised by social democratic negative libertarianism—i.e., by contemporary liberalism. In light of it, "libertarianism" appears as little more than a throwback to the early liberals' neglect of the need for economic resources in order to realize freedom for all. This neglect flies in the face of *the premises of "libertarianism" itself.* For by accepting that the rights of the would-be murderer do not legitimize violating the equal rights of the would-be victim, the classical liberal joins the contemporary liberal in stipulating human moral equality. It then becomes mysterious why equality should extend only to participation in status quo property relations.

Thus, while both left (social democratic) and right (neoliberal) forms of negative libertarianism contradict themselves by securing one of the possible means (negative freedom) but not the end (moral action) of freedom, neoliberal "libertarianism" suffers the additional self-contradiction of failing to take seriously the egalitarian moral obligations that underlie it.

In response, the "libertarian" may want to condemn the enforcement of egalitarian moral obligations as involving the "violation of individual rights." But such a label would be just as appropriately applied to the enforcement of prohibitions against murder as to the enforcement of obligations to render charitable aid. The former is just as much an "infringement" of the murderer's "right" to murder as the latter is a violation of the misanthrope's "right" to withhold charity.

The "libertarian" may answer that there is a difference between murder and the withholding of aid, or between "positive" and "negative" moral obligations in the traditional sense (obligations to take actions versus obligations to refrain from them). Yet the egalitarian assumptions that enable such a differentiation also legitimize the very moral obligations against which it is directed.

Individualism As a Form of Authoritarianism

What explains these paradoxes is the nature of moral choice. Inescapably, human beings are called upon to choose *actions*; negative libertarianism, however, chooses only moral *authorities.*

One must inevitably decide what to do—i.e., what it is right to do. Just as an immoral action is not made permissible by the arbitrary authority of a king or a priest, by the sanction of a tradition or a community or even by God Himself, neither can an individual claim a "right" to act immorally by

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virtue of some arbitrary authority to do whatever he or she wills. It is just as empty to grant moral authority to the arbitrary decision of every individual as to grant it to the arbitrary decision of a single individual or class of individuals. All such attempts to substitute arbitrary moral authority (*a right to decide*) for a determination of what action is *right* are evasions of the *substantive* nature of the moral situation. The *moral authoritarianism* of such attempts is what leads to the fissure in negative libertarianism between, on the one hand, its insistence on the freedom of the individual agent from external coercion ("rights violations"), and, on the other, its stubborn indifference to internal, moral coercion (which, if recognized, would reveal the arbitrariness of the individual's moral authority). It is no answer at all to the question posed by moral choice—"What *should* I do?"—to reply, "Whatever you *want* to do." For then the question (which negative libertarians, ironically, must deterministically evade) becomes, "What *should* I want to do?"

To pass the responsibility for moral choice to some authority—even individual authority—is to beg the question of morality; like all begged questions, this one can then only be answered surreptitiously. Making substantive moral decisions is not an option we can slough off; content, value, must turn up somewhere. This is what accounts for the fact that substantive egalitarianism lurks in negative libertarianism's particular version of moral authoritarianism: for negative liberty must conceal substantive values, and *any* substantive values will be inconsistent with authoritarian premises. But as we shall see in Section 4, negative libertarian egalitarianism is a poor choice of a substantive value.

The "Libertarian" Version of Negative Liberty

Whence the specifically "libertarian" form of negative libertarianism? Its actual, *phenomenological* roots will be treated in Section 2. Here, let us confine ouselves to its *logical* sources.

Doing so brings us back to the differentiation that the negative libertarian tries to draw between negative, politically enforceable obligations and positive, unenforceable ones. By granting political authority to an individual to perform an action, negative libertarians are not, they insist, granting moral legitimacy to the action then performed.

Thus, in the absence of appeals to the consequences of actions, which might show how a greater *good* (e.g. social peace, prosperity, feelings of efficacy and well-being) ultimately comes of allowing individuals the authority to do *certain kinds* of evil, negative libertarianism finds itself faced either with allowing people to do *whatever* they want to each other as part of the exercise of their freedom, or else with the task of finding some

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moral distinction between allowable and prohibited types of activity. Thus emerges the distinction between the "ethical sphere," where some kinds of individual choices are politically protected (by calling them "rights"), and the "political sphere," where other individual choices are prohibited (by calling them "rights-violations").

From this distinction flows the familiar liberal bifurcation of social reality into private and public realms. The idea of a morally sanctioned private realm lends itself to being institutionalized in the form of inviolable private property rights. Hence the troubling appeal of Nozickean "libertarianism" to the social democratic left, despite the intolerable policy consequences to which it leads. It is troubling because it appeals to the form while contradicting the substance of social democratic liberalism. Precisely because it does *not* shrink away from the substantive egalitarianism implicit in all negative libertarianism, social democratic liberalism encounters a tension between its form, as a doctrine of individual rights to do evil, and its substantive tendency to enforce the egalitarian good. Cut loose from the formal constraint of private property rights, its negative libertarian form tends to become infused with a type of pure positive libertarianism in which right action is defined by egalitarianism, yet is expressed in the language of negative libertarian individual rights.

The "libertarian" parallel to this process is to make an absolute value out of not equality but inviolable private property ownership. In other words, when "libertarians" say that people may do whatever they want, as long as they do not violate the equal rights of others, they really mean that people may do whatever they want *with "their" property,* as long as they do not violate others' property rights. The stubborn "libertarian" distinction between the ethical and the political, then, rests entirely on (broadly speaking) "Lockean" foundations, without which there could be no claim that to proscribe "merely" immoral actions constitutes a violent incursion against individual liberty.

Thus, Murray N. Rothbard—the little-known writer who has nevertheless had such a seminal influence on contemporary "libertarian" thought—quotes James Sadowsky:

> When we say that one has the right to do certain things we mean this and only this, that it would be immoral for another, alone or in combination, to stop him from doing this by the use of physical force or the threat thereof. We do *not* mean that any use a man makes of his property within the limits set forth is necessarily a *moral* use.[11]

Despite Sadowsky's invocation of "physical force," his derivation of the distinction between ethics and politics has the effect of shifting the burden away from negative libertarian arguments against *coercion,* which are vul-

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nerable to being undermined by the egalitarianism implicit in such notions,[12] and onto whatever it is that is supposed to make private property sacrosanct. It is not the "coerciveness" or "violence" of "interfering" with property rights that is at issue under the "libertarian" approach, then, but rather the validity of those rights in the first place.

Whether "libertarian" property theory can bear the burden of sustaining that validity will be examined in Section 2. For now, what is important is that if the burden proves too great, then the "libertarian" distinction between what is right and what one's "rights" allow one to do turns out to be an authoritarian evasion of moral responsibility, unjustifiably attempting to delegate that responsibility to individual loci of authority.

Radicalism and Liberalism

By seeing through to the inescapably substantive nature of moral choice—by refusing to fob off some brand of authoritarianism, even an authoritarianism of equal individuals, in place of value judgments—positive libertarianism tends logically to *completely* devalue individual authority: to leave no room at all for individual decision making *where it results in evil*. This is not, however, an implication any of the great positive libertarian theorists realized (with the possible exception of Fichte). They continued to value the egalitarian authoritarianism inherent in negative libertarianism, even as they repudiated authoritarian arbitrariness in favor of morality. They sought to enhance the dignity and worth of equal individuals, while not giving in to the temptation to make them "sovereign," or free to ignore moral law.

The positive libertarians tried to do this by *combining* positive and negative freedom, invariably through *the education of the individual's will to morality*, such that people would not *need* to be "forced" to be free (i.e., to be good)—or so that, at worst, they would be able to "force" *themselves* to be free. The goal was for each individual "voluntarily" to will the good. The ambivalence here between positive and negative liberty is probably what led Berlin to mix the two together in defining the former as *self*-perfection. But although that is an inaccurate characterization of pure positive libertarianism, it does capture the *radicalism* that results from combining formally positive with substantively negative liberty—the radicalism of the reformer of morals. This radical mixture of positive and negative libertarianism holds that people must be freed to do what they want, but that they should first be *moralized* so that they will want to do what is right. Against this should be distinguished the mixture of positive and negative libertarianism we briefly noted as being the tendency of social democratic liberalism, in which the form of negative libertari-

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anism is preserved, but the substance of "individual rights" increasingly becomes egalitarian—as we see in the much-derided emergence of notions of group entitlements.

The distinction between the two mixtures of negative and positive liberty should not, however, be taken to imply that they are fundamentally incompatible. Indeed, not only did the positive libertarian theorists combine negative and positive liberty at the formal level, but they did so again at the substantive level. While the left liberal makes individual rights yield the egalitarian good, the radical dispenses with individual rights in favor of a society in which the separation of the moral from the political is unnecessary. But in the end, what makes such a society good is that it actualizes equal individual liberty. The radical/liberal disagreement is essentially over the means to the same end. The liberal is unaware of the conflict between the notion of individual rights and its egalitarian premises, and is, accordingly, willing to *impose* egalitarianism by *enforcing* those rights ever more vigorously and by *defining* them ever more rigorously. Hence liberal *moralism*. The radical is aware of the problem (while remaining oblivious to its source), and thus seeks to overcome it by ending the antagonisms that make the enforcement of rights necessary. Thus radical *moralization*.

According to the radical, then, we should be free to do what we want; we should be moralized to want what is right; but furthermore, what is right is universal negative liberty—under which everyone is free to do what they want (which is to do what is right). The circularity here, as we shall see, derives from the importation of the ultimately vacuous morally authoritarian premise of negative libertarianism into positive libertarianism's attempt to fill the vacuum with moral substance.

Kant sought formally to combine positive and negative liberty in the individual self-legislation of the categorical imperative: the voluntary recognition of one's substantive duty to respect others. Kant's model of moral education follows straightforwardly. The philosopher lectures the individual as to his or her egalitarian moral obligations, and he or she responds by seizing control over recalcitrant impulses in order to freely will the good.

Kant's moral philosophy is a privatized version of Rousseau's education to morality. According to Rousseau, society is not free to do whatever it wants; that would be a collective formalization of pure negative liberty—"the will of all." Instead, democratic discussion serves to uncover "the general will," i.e., what action is *right* (positive liberty); this moral law is, however, to be self-imposed by the community (negative liberty), and its substantive aim is the negative liberty of each. The intercession of such divisive institutions as private property has obscured the moral law from

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the view of each individual, but democratic political institutions will educate the citizens to positive freedom, allowing their self-interest and morality to become transparent and to coincide.

In Marx we find the same pattern: once the class conflict engendered by capitalism is abolished, coercion will not be needed to make the individual do what is right. The purpose of conscious economic planning is not for some central authority to impose a blueprint on society; no "constructivist" hubris drives Marx's vision, although it may well be that socialism could only work if a constructivistic view of the economy were valid. Marx's *goal*, however, was the achievement of a freely willed moral order, not a rationalistically planned social structure. In other words, as neoliberal economists have too easily forgotten, Marx was not a colleague. He was not at bottom an economist but was rather, as Leszek Kolakowski wrote, a German philosopher.[13] Marx wanted to allow each individual voluntarily to express his or her commitment to the well-being of all by joining with everyone else in making moral choices (under socialism, they are not economic choices any more). Once the true laws of economic value are no longer obscured by the reifications spawned by class conflict, the economically creative individual's "species-being" will finally be able to emerge—i.e. his or her moral equality with, and therefore obligation to, other producers. We shall be conscious of this human essence, and we shall willingly act upon it, once we have transcended economic institutions which pit our interests against each other's. Only in this positive libertarian fashion would a sophisticated form of socialism be willed, one which distributed resources according to individual need rather than in accord with more mechanical conceptions of equality. By providing for the needs of each, all individuals would equally be freed from the limitations imposed on their negative freedom by the socially alterable system of property relations.

Conspicuous by his absence from the argument of Part I was Hegel, Marx's most important predecessor. Yet Hegel gives positive liberty its most complete explication, if not its clearest. For instance, he writes:

> The bond of duty can appear as a restriction only on indeterminate subjectivity or abstract freedom, and on the impulses either of the natural will or of the moral will which determines its indeterminate will arbitrarily. The truth is, however, that in duty the individual finds his liberation; first, liberation from dependence on mere natural impulse and from the depression which as a particular subject he cannot escape in his moral reflections on what ought to be and what might be; secondly, liberation from the indeterminate subjectivity which, never reaching reality or the objective determinacy of action, remains self-enclosed and devoid of actuality. In duty the individual acquires his substantive freedom.[14]

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At the same time, Hegel never wavered in his devotion to negative liberty: freedom of religion, speech and the press; private property ownership, representative democracy and welfare rights. For example:

> The right actually present in the particular requires, first, that accidental hindrances to one aim or another be removed, and undisturbed safety of person or property be attained; and secondly, that the securing of every single person's livelihood and welfare be treated and actualized as a right, i.e. that particular welfare as such be so treated.[15]

Hegel was not discussed in detail in Part I because, while Marx sought the reconciliation of positive and negative liberty in socialism—the failure of which was our concern there—it was Hegel who apotheosized the interventionist welfare state that is our present topic. Although, institutionally, the contemporary welfare state does not conform to Hegel's description, there are crucial ideological affinities between its rationale and that employed by Hegel. These affinities will be discussed momentarily. For now, let us accept the assertion of affinity for the sake of argument, in order to claim that in a manner of speaking, the end of history has shifted the theoretical nexus of modernity "backwards," from Marx to Hegel.

If this is the case, then it is unfortunate that so many critics of the welfare state have been prevented from seriously thinking about Hegel. This is due largely to the anathema against Hegel pronounced by Karl Popper—in a betrayal of the admonition to open-mindedness that is his own great teaching. The second volume of Popper's *The Open Society and Its Enemies* contains an "analysis"[16] of Hegel that consists of long strings of quotations ripped from their context in order to demonstrate Popper's *idée fixe*, that Hegel revived Plato's opposition to the open society. Popper interprets his own failure to understand Hegel's difficult writings as evidence that Hegel had nothing to say, and that he must therefore have spent his lifetime spinning obscurantisms as "an apologist for Prussian absolutism."[17] In lieu of a detailed response to Popper (of which several are available),[18] we may note only that it was Hegel's celebration of the *defeat* of Prussian absolutism by Napoleon at Jena that inspired Fukuyama's notion of the end of history.[19]

The Dialectic of the Welfare State

There is perhaps no better synopsis of his dialectic than Hegel's own brief apothegm: "The learner always begins by finding fault, but the scholar sees the positive merit in everything."[20]

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The point of the dialectic is to reveal the merit in all the manifold ideas there are, allowing contradictions between them to be overcome or "sublated" by an understanding that encompasses the partial truth of each position. There is nothing mysterious or antirationalistic about this: why else would one wish to use reason, if not to gain the greatest purchase on truth?

The similarity between the goals of dialectical and traditional reasoning, however, does not mean that there are no stylistic differences between them, or that these differences are unimportant. For too often, those who employ mere "Understanding" (*Verstand*), which Hegel counterposed to dialectical "Reason" (*Vernunft*), are content with scoring argumentative points in favor of an antithesis against a thesis, as in a debate. Conventional, undialectical reasoning is, in other words, too frequently driven by a desire to employ rhetorical argumentation against positions one has already decided are invalid.

This overly clever fault-finding is widespread in our culture, and it accounts for the instinctive suspicion that Hegel unnecessarily complicates things with his dialectic: if one principle is more valid than another, why not simply say that it *defeats* the other? Why engineer a "dialectical" compromise between them? But Hegel does not see the higher overcoming of a contradiction as a "compromise"—a notion that suggests less a preservation of the truth to be found on both sides of a conflict than a partial defeat for the single valid side.

One of the strengths of Hegel's method is a sensitivity to history, not only in the sense of knowing about past events, but in the recognition that even irrational aspects of a given present are shaped by their past, and should not be cavalierly dismissed before their genesis, and the *possible* merit contained therein, are understood. This sensitivity is an instance of the larger advantage of Hegel's dialectic: its cultivation of intellectual openness and seriousness (the "scholarly" attitude), founded on the desire to grasp what is plausible in beliefs one finds alien and is tempted to dismiss. It is all too easy to make our adversaries into enemies, and to attribute to them the basest motives. The natural tendency to demonize those with whom one disagrees is only encouraged by the facile cleverness that is suspicious of "shades of gray" and prefers everything black and white. There is little room for such simplifying Manicheanism in Hegel's dialectic, which undermines the neat categories into which we like to divide the world. It is merely a characteristic error of the Understanding, then, to view the overcoming of a contradiction as a compromise with falsehood rather than as an attempt to encompass the complexity of truth.

Nevertheless, there are many places in Hegel's work in which putatively sublated contradictions do have the mechanical feel of compromises, and

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one of the most important occurs at the culmination of his entire system: his theory of the modern state.

Hegel writes:

> The state is the actuality of concrete freedom. But concrete freedom consists in this, that personal individuality and its particular interests not only achieve their complete development and gain explicit recognition for their right (as they do in the sphere of the family and civil society) but, for one thing, they also pass of their own accord over into the sphere of the universal, and, for another thing, they know and will the universal; they even recognize it as their own substantive mind; they take it as their end and aim and are active in its pursuit. . . . Individuals . . . do not live as private persons for their own ends alone, but in the very act of willing these they will the universal, and their activity is consciously aimed at none but the universal end.[21]

Thus, Hegel's theory of the state was an attempt to do the same thing Rousseau and Kant had undertaken, and that Marx would undertake because of the Hegelian theory's deficiencies. *Hegel was trying to sublate the contradiction between negative and positive liberty.*

Latent in Christianity, Hegel points out, was the "principle of subjectivity," which reached fruition in the Reformation and the French Revolution. These events dissolved feudalism, empowering the individual as never before. The principle of subjectivity, then, the central feature of modernity, is negative liberty. It is manifested in civil society, i.e., *the market economy*, in which people produce and procure whatever it is that they desire.

Hegel is the philosopher of the interventionist welfare state not because he advocated anything very much like the institutional framework typical of modern mixed economies, but because his attempt to reconcile positive and negative liberty was a compromise that enunciated the coexistence within the welfare state of the principle of civil society, negative liberty, and its antithesis: positive liberty, *the moral law imposed by the interventionist state.*

The merit in civil society, the truth in it that must be preserved, is that it allows enormous scope for individual self-determination. Unfortunately, however, this entails a great ability to do wrongs. Among these are the creation of a class of the dispossessed who, no longer being able to provide for themselves in the self-sufficient (though much less opulent) manner of the medieval economy, are at the economic mercy of international competition and the capricious preferences of consumers, which may at any time throw them out of work. In addition, when they do work, the form of their labor is often degrading.

The negative liberty of the poor is thus violated by their economic dependence. This creates a substantive need for the constraint of positive

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liberty. Recognition of this fact is a further consequence of the development of the idea of freedom itself. For in the modern age we see that freedom is a universal concept, one that applies to every human being, and therefore one that demands that we consider the consequences of our actions not only for ourselves—as we do in the relationships of civil society—but for others as well.[22] Thus, Hegel recognizes the second contradiction in negative liberty pointed out above: its specifically egalitarian content. But because he fails to notice that this is but an instance of the first, more general contradiction, he does not conclude that the very logic of negative liberty is self-defeating because it demands some substantive moral content and thereby transcends its own assignment to the individual of arbitrary authority. Rather, Hegel strives to preserve negative liberty while tempering it with morality.

The agency of moral temperance is the state, by which Hegel means both the institutions of government and new, corporate bodies which would be represented in the legislature, and which would also have some responsibility for the care of those of their members who fall into poverty. Hegel is vague as to exactly how duties are to be divided between corporate associations and the government, and what powers of enforcement the associations are to have. It appears that they, not the government, are to provide "welfare" services, so as not to stigmatize their recipients; meanwhile, the government is to intervene in and regulate civil society—for instance, by controlling some prices.

Obviously, in its corporatism (and in its constitutional monarchism), the Hegelian state differs from the contemporary state. *In toto*, however, the Hegelian "state" was to have the authority and scope of the modern interventionist welfare state, and the reason was the same as that behind the new, liberal consensus. That is, the state was needed in order to actualize the negative freedom of all, thereby righting the wrongs of the market economy.

The obvious question, though, is why Hegel allows civil society to persist, even in its regulated form. Hegel's acceptance of institutional differentiation between (and within) state and civil society—with all the evils that are thereby preserved—betrays an almost aestheticist desire to make society a canvas on which all the "moments" of the historical dialectic can be portrayed simultaneously, rather than being sublated in a new form. As Marx pointed out, Hegel's use of the analogy of state and organism is his means of justifying the contradictory coexistence of various elements without providing a rationale for their survival.[23]

One obstacle Hegel faced here was that he placed great importance on the right to hold private property, as leading to people's recognition of each other's humanity and dignity. (Indeed, it was in part the exclusion of

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the poor from this right that called forth the need for the modern state.) A property owner, no matter how devoted to his or her own material advancement, is both source and subject of respect for other property owners. Thus, private property introduces universality into the particular, self-interested concerns of bourgeois profit-maximizers. For this reason, even civil society, the sphere in which arbitrary desire is satisfied, has a moral component.

In the legalistic, bourgeois obsession with individual rights, then, is nourished the seed of morality: from negative liberty springs its positive cousin. Moreover, Hegel grasped Adam Smith's point, that the principle of reciprocal exchange underlying the market economy automatically tempers one's narrow pursuits with morality (i.e., with unwitting compassion):

> Particularity, restricted by universality, is the only standard whereby each particular member promotes his welfare.
>
> Though in civil society universal and particular have fallen apart, yet both are still reciprocally bound together and conditioned. . . . Each still conditions the other. . . . If I further my ends, I further the ends of the universal, and this in turn furthers my end.[24]

The problem with this, however, is that the existence of injustice shows that not everyone's universality, i.e. their moral standing as equal individuals, is actualized through the particularistic pursuits of civil society. The market is thus immoral, and the corrective of the state is needed:

> It was in the Christian religion in the first place that the right of subjectivity arose . . . and while granting this right, the whole order must at the same time retain the strength to put particularity in harmony with the unity of ethical life. . . .[25]

But if the "whole order" is strong enough to control the market economy, why should it let the latter continue to exist at all? Why stop at regulating the market, rather than abolishing it?

This question becomes especially urgent in light of the fact that *selfish* pursuits form the heart of the market. Thus, even if the state managed to remedy the failure of the market to provide for all (i.e., even if it satisfied the social democratic liberal's substantive concern with equalizing negative liberty), it would only do so by acting in direct opposition to market activity, which by nature is *not* "consciously aimed at the universal end." The butcher and baker who provide for others' needs do so only despite themselves. They will their own good, not that of others. The selfishness allowed and promoted by the market precludes the voluntary *willing of the good* which is the only way to truly sublate the contradiction between

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negative and positive liberty. For the good to be imposed on an unwilling civil society by Hegel's "universal class" of civil servants (universal because they will what is moral rather than what is self-interested) therefore represents not an overcoming of contradictions but an institutionalization of them—not radicalism, but liberalism.

Is Welfare Statism Realistic?

It might be thought that this compromise demonstrates Hegel's mature realism, his rejection of unrealistic utopias of absolute freedom. But his realism is actually of a quite different sort. It is not based on a comparison of the consequences of abolishing civil society to those that would result from leaving it alone or regulating it—just as his recommendations of a ceremonial monarchy and of a system of corporate bodies rest on no study of the likely effects of such political arrangements, and his desire to see the government regulate prices rests on no rejoinder to the economists' objections to such policies. This is not to say that Hegel was completely oblivious to comparisons of the practical effects of his proposals with those of status quo arrangements; probably no political thinker has completely embodied the "moralizing" ideal type that will be developed in this subsection. But this does not preclude us from distinguishing between thinkers who possess *strategic* and those who possess *social* realism.

Hegel was the first kind of theorist much more than the second. What is so impressive about his political philosophy is its exquisite sensitivity to the practical barriers standing in the way of the *moralization of people* that was the positive libertarians' common goal. This sensitivity resulted from Hegel's study of the Scottish economists, who showed him how unrealistic it was to hope to educate to liberty the participants in commercial society using the means endorsed by his predecessors. As Laurence Dickey has written of *Sittlichkeit*—the Christian ideal of ethical life Hegel favored—it became

> not so much a matter of applied theology for Hegel as the center of a problem that grew out of his new understanding of how economics could militate against the realization of *Sittlichkeit* in the public realm of experience. In that respect, if *Sittlichkeit* were to remain, for Hegel, a historically relevant and progressive ethicopoliticoreligious ideal, it had to be presented in a new way, in a form that aimed at "laying hold of life" for the sake of carrying "the war against materialism" into the "territory of matter itself."[26]

Therefore, what Hegel objects to (inter alia) in such "moral formalists" as Kant and Fichte

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> is that they are unable to come to terms with the economic aspects of modern social and political life. This, Hegel argues, is their fatal flaw, and he means to correct them while retaining some of their high-minded moral idealism. . . .
>
> Hegel wishes philosophy to confront 'reality' (i.e., economics in general and political economy in particular)

—but only inasmuch as "he means to 'contain'" reality within moral boundaries. Consequently, he "was concerned less with exhorting men to reverse a socioeconomic pattern of historical development than with providing them with a new sociocultural perspective within which economic development, commercial expansion, and the pursuit of luxury might be pursued in both a civil and an ethical way."[27] Or as Steven B. Smith puts it, "while he had earlier said . . . that philosophy must take its point of departure from 'what ought to be,' Hegel is now far more concerned with finding a way back to what 'is.'"[28]

Hegel's brand of realism, then, should not be confused with consequentialism. Instead it echoes Rousseau, one of the preeminent moralists in the history of Western thought, who nonetheless—and notwithstanding Voltaire's impression to the contrary—eschewed simplistic calls to return to the primitive state of moral innocence. Rather, Rousseau employed a finely honed historical realism about what kind of moralization of attitudes was possible in the context of modern society. His recognition that "humanity does not retrogress" was the source of his genius, but it did not eventuate in the sort of realism that could prevent his ideas from having disastrous consequences when Robespierre tried to put them into practice. The enormities sparked by this attempt were not primarily a matter of Rousseau having miscalculated the possibility of moralizing people; if anything, the Jacobins were models of righteousness. The problem was that Rousseau did not, in effect, realize that *there is more to politics than morality*. His innovative thinking about politics and economics was subordinated to a moralizing, not a social-theoretical project: there was never any possibility that he would question the assumption that we should aim for a society of *good consciences*, as opposed to, say, a society in which what good consciences desire—e.g., the actualization of the well-being of all—is achieved *despite the absence of good consciences.*

The latter possibility is, of course, the one that is opened up by a consequentialist appropriation of classical political economy. But Hegel followed Rousseau in extending his realism only to analyzing means to the predetermined end of moral education; political economy instructed him as to the complexities of that project in commercial societies, but did not lead him to question whether the project was necessary at all—let alone

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whether it might have become dangerous. In this sense, Hegel was not only neo-Rousseauvian but proto-Marxist. For Marx, too, disdained subjecting his ideals to the test of economic or political analysis, even while he carefully scrutinized the constraints against and possibilities for *moral praxis* that were presented by capitalism. In Marx, in fact, the preoccupation with moral praxis, i.e., with *the realistic possibilities for action directed toward moralizing people's attitudes,* is utterly unbalanced by a concern for what kind of society *could* actually be brought about even by successfully moralized people. The point of studying society, in Marx's famous phrase, is to change it. A *social theorist* would not *start* with the assumption that change is necessary, although he or she might conclude, at the end of his or her investigations, that change would bring desirable results.

Immediately one will object that these figures *were* social theorists, as shown for example by their intense interest in the unintended consequences brought about by human action in society. Hegel's "cunning of Reason" is not only akin to, but may have been derived from, Smith's "invisible hand." In Marx and Rousseau, too, history moves forward quite independently—and often despite the best efforts—of human intentions, and understanding this movement requires a theory of society.

Yet none of their rich understanding of society is ever brought to bear by Rousseau, Marx or Hegel on their conviction that what is needed is to find a way to *moralize* people (or even to find a way to act in order to moralize people). Their theodicies recount humanity's progress toward that end, and none other. This amounts to a *fetishism of conscientiousness* which is, ultimately, as sacrilegious as the Hebrew idolatry of law that Hegel was fond of criticizing. According to Hegel, Judaism had, by Jesus' day, degenerated into the ritualized, "outward" performance of meaningless obeisances (just as would Christianity by the time of Luther). Hegel intended to moralize Jesus' attack on placing the letter over the spirit of the law. But if the problem is not the loss of spirituality, what makes the idolatry of law sacrilegious? The answer must be its diremption from the moral *ends* to which law should be directed. Yet this is precisely the fault a consequentialist would find in the Pietistic "inwardness" exemplified by the positive libertarians. Their political activism, like their study of society, had lost sight of the only logical *reason* for such action—*achieving moral ends.* But this failing, which culminates in the fetishism of conscientiousness or even in the further idolatry of praxis, is of a piece with libertarianism as a whole. The circularity of radical libertarianism is, logically speaking, nothing more than liberal moral authoritarianism once removed. Now, not even the tendency of action to achieve equal negative liberty, let alone its tendency to achieve other possible substantive moral goods, is as vital as is the moralization of the actors.

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Under negative libertarianism, individual freedom of action is good, but we don't know why. The initial circularity lies here, in the attempt to locate a criterion of moral action in the moral actor, making "freedom" a substitute for a substantive norm. Positive libertarianism has the potential of breaking out of the circle: its recognition of the possibility of "internal coercion" opens the door to a consequentialist conception of morality. For once the possiblity of an individual's willing what is wrong is admitted, there must already be some external criterion for deciding what is wrong. The criterion of *being* good—i.e., being truly free of infringements upon one's authority to decide what is good—has already implicitly been replaced by whether one *does* good (however that is defined, which is another issue). Had this logic been followed, the result would have been pure positive libertarianism, in which the results of action are all that count, and paternalism in "compelling" action is morally acceptable. But this would have required recognizing the first contradiction in libertarianism and rejecting liberty as an intrinsic good. The hold of the idea of being good, of goodness as an internal rather than an external characteristic of an actor, was too strong to allow this to happen. Thus, rather than severing themselves from negative libertarianism entirely and judging the goodness of individual freedom by the results it produces, positive libertarians continued to place moral authority in the individual, leaving themselves no alternative but to try to ensure that authority will lead to morality by moralizing the authority. Rather than merely liberating people, we must now reform them as well. Rather than looking forward from action toward whether its results are good, radical positive libertarianism continues to judge action with a backward glance at its source.

Thus, the negative libertarian's idolatry of free action becomes an idolatry of the free, i.e. the good, will. *Now* what matters is not that we are free to act, but that we are free to will. To be sure, the reason for this is that a truly free will must precede right action, but we are farther than ever from evaluating what action is right in anything but a viciously circular fashion, because the rightness of action is measured against the purity of its source rather than by its results.

What counts as morality is now not merely achieving others' negative freedom—the circular enough goal of liberalism—but also achieving a change in their consciences in order that, when negatively liberated, they will will the good. The retention of negative liberty reduces positive libertarianism to a utopian program of moral education, in which moralized people become the ultimate end—even while the peculiar nature of that end incorporates the substantive liberal good of liberating people to do what they want.

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In light of this analysis, there is great interest in Dickey's placement of Hegel in a long line of Christian "activists" stretching back to the Alexandrian Fathers of early Christianity, who promulgated the idea that "part of man's religious obligation to God involved striving during his life for ethical perfection." Inherent in *striving* is negative freedom: "the pursuit of virtue in this world had to be voluntary."[29] By freely undertaking ethical self-perfection,

> the Alexandrians argued, man not only would be assimilating to God, as far as this were possible, but he also would be participating in his own salvation. . . .
>
> Part of the salvation process involves ceaseless striving after perfection. Though man was a sinner, he still possessed, according to the Alexandrians, a capacity for virtue that could be developed by practice. So, while the capacity for virtue was a gift of the Creator, who had made man in His own image, the responsibility for developing the capacity was man's. . . .
>
> What was divine in man for them, then, was his potential—his capacity for growth and self-transcendence,

i.e., his capacity for the freely willed self-imposition of moral behavior. "Be ye perfect, even as your Father which is in heaven is perfect."[30]

What Dickey calls Hegel's discovery of the economy was, then, a very different affair than that of the Scots. For although Smith, too, was a moralist, he was a founder of non-moralistic social theory insofar as he used political economy the way Hobbes used political theory: to take men as they are and then see what kind of society this leads to.

The danger in this approach is, of course, a dogmatic conservatism. We become mere apologists for the status quo if we fail to recognize that a shift in people's ethics can *alter* "the way men are." *Homo economicus* is not only a hypothetical heuristic, but an historically variable one. Still, a conservative version of social theory, one which begins by appreciating the sources of order and progress in the amoral or immoral present, is probably the inevitable first step in the development of a social theory marked by any degree of realism. Later on, realistic methods can be extended to the analysis of how even a future, moralized society—i.e., a society whose members enacted the Christian injunction to imitate God—would actually function. This is what Mises did in his critique of socialism.

The failing of the positive libertarians, and not of them alone, was their lack of interest in such questions. Because they took for granted the desirability of a *moralized* society, they lacked the interest or the tools to perform a comparative analysis of the degree to which not moral attitudes but *moral goods* could be produced by alternative social systems.[31] Had they under-

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taken such comparisons, they would have been, by virtue of that activity, consequentialist social theorists. Their failure to do so measures the gulf between such consequentialist social theory as we have—e.g., economics—and our highest cultural aspirations. But conversely, those aspirations have given rise to a rich tradition of what is usually viewed as social theory, but is really moral criticism of the status quo, a tradition containing as many insights as do neoliberal criticisms of proposed *reforms* of the status quo. There is no reason this tradition cannot both inform and be informed by the truly social-theoretical, consequentialist study of society.

All of this is by way of denying that Hegel's allowances for civil society can be attributed to a balanced weighing of its merits. Although, like Rousseau and Marx, he came to recognize some of those merits, as shown by his endorsement of (limited) private property ownership and of the Smithian, indirect moral purposes served by the market, these were concessions in the interest of developing a realistic moral, not *social* theory. They were cut from the same pattern as Marx's praise of capitalism—as laying the necessary groundwork for the ultimate ethicization of attitudes that would only be conceivable under communism. No matter how much he or Hegel analyze real conditions and forces and their ruinous effects on the lives of real people, Marx simply assumes that the society in which things will be set aright is one in which the good is freely willed. Or rather, in fairness, the issue never occurred to either of them, so thoroughly moralistic was their basic outlook. When we picture Marx in the library of the British Museum, we should remember that he was researching the question of how to attain the goal of allowing people in modern society to *be* good—which he assumed was equivalent to the question of how they could most effectively *do* good.

The Hegelian compromise, in this interpretation, was no more based on a realistic assessment of the potential for good results coming from a regulated market than Marx's revolutionism was grounded in a clear picture of how socialism would work. Hegel's was instead an attempt to accept the advent of commercial society in order to find more effective ways of reshaping the moral character of the bourgeoisie. And it is judged by this standard—overcoming the contradiction between the fundamentally selfish bourgeois orientation and the goal of moralization—that Hegel must be said, and was said by Marx, to have failed.

The Collapse of the Marxian Solution

In Marx's view, Hegel, by preserving separate spheres of self-interest and common good, made it inevitable that the former (civil society) would contaminate and dominate the latter (the state). Marx, like Hegel, had to

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reject the paternalistic alternative, in which the state would dictate the good to, and would overwhelm, civil society: for this would bring positive liberty only at the cost of abolishing the negative variety. So he had to rise above both compromises and one-sided answers. Neither a paternalistic state nor a particularistic market could remain. They both had to be overthrown if positive and negative liberty were to flower together.

Now we know that Marx's alternative—socialist libertarianism achieved by the praxis of revolution—produces terrible results. A sphere of particularistic, negative freedom is needed in order to generate the price information required for coordinating a complex economy. Only by allowing the reassertion of civil society did Lenin's New Economic Policy, and the departures from centralization under Stalin and his successors, save really existing socialism from complete self-destruction (although not from continual disarray). In the process, licit and illicit exchange relationships were allowed to produce gross injustices in the service of industrialization. In practice, socialism did not achieve positive liberty.

Moreover, Lenin only brought Russia to the brink of true socialism in the first place by abandoning Marx's anti-paternalistic scruples. When the proletariat proved too small and too reformist to bring about the revolution, a vanguard party was created to do the job. In the crucible of civil war, the maximum exertions of this instrument of positive liberty were unleashed against the remnants of civil society. But most importantly for our purposes, the economic and human devastation wrought by this attempt to abolish the market rendered Marx's vision of freely accepted socialism, an ethical state without coercion, utterly implausible. The Red Army had to impose real socialism if it would be imposed at all, just as the Khmer Rouge later did.

The retreat to NEP, then, was not only a reprieve for the market, but a death blow to both the positive and the negative libertarian ideals animating the Soviet state. While what the moralizing tradition considers evil—selfishness—was given a new lease on life in the Soviet Union, its locale shifted in large measure from civil society into the state. Indeed, as Marx pointed out was the case in his own time, state and civil society (no matter how attenuated the latter grew) became inextricably intertwined, so that selfishness was now exercised by means of state power.

To the pre-1989 left, it was easy enough to focus on the initial Soviet turn away from negative liberty in favor of "democratic" centralism, and to conclude that Stalin merely intensified this break with benign Marxism. What was needed, accordingly, seemed to be a negative-libertarian socialism in place of one imposed from above. But in common with theorists of Soviet totalitarianism, humanistic leftists overlooked the actual functioning of post-1920 "socialism." This meant that they did not notice that even

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under Stalin, for all the capriciousness and destructiveness of his rule and for all the enormous powers needed to carry out even his less-than-comprehensive Plans, there was more negative liberty than would have been possible under true socialism. Even if we imagine a socialism imposed not by a proletarian dictatorship but by unanimous consent, it is hard to picture that consent extending to the impoverishment Mises claimed, and Lenin showed, would ensue. Thus, the vanguard party and the state had to use totalitarian means in order to overcome resistance to the actual consequences of socialism as an economic system. Terror, not to mention pauperization, is hardly consistent with human well-being. But it may be consistent with the only thing that counts for a certain version of secularized Christianity: the reform of people's consciences.

The Retreat to the New Consensus

The West now finds itself caught between where its own moral tradition wants it to go, and its horror at the *consequences* of going there. The reason this shifts the locus of history backwards, from Marx to Hegel, is precisely because of Hegel's *failure* to sublate positive and negative liberty, as Marx did. This makes Hegel one positive libertarian who was *not* radical, inasmuch as his preservaton of the sphere of civil society ensured that people's consciences would not be moralized. Formally, there was no reconciliation between state and civil society in Hegel's political system: nor is there in ours. Not surprisingly, then, on the substantive level, the morality imposed by the state on civil society is in both cases that of social democratic liberalism: an instantiation of the egalitarian obligations that, by the logic of negative liberty, we have to each other. In the absence of the sublation of positive and negative liberty made possible by some kind of moralizing "education," we compromise, as Hegel did, by assigning the state, rather than the individual, the task of adding egalitarian "substance" to our negative liberty.

It would be silly to praise the lack of moralization in this compromise as a good thing in and of itself, as "libertarians" do. If one is a consequentialist neoliberal, one will not want to ignore the fact that people with consciences are crucial to the functioning of capitalism; that they make the world a nicer place to live in; and that they are desirable in and of themselves, as bearers of human dignity. To seek to deny all of this is the fool's errand to which "libertarianism" commits itself, however, since it is estranged from the role it is uniquely qualified to fill: not denying the force of our moral obligations to others, but analyzing the extent to which the welfare state actually fulfills them. Inasmuch as our understanding of what went wrong with *socialism* is founded on neoliberal consequentialist analy-

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sis, it seems appropriate to extend such logic to the compromise with capitalism in which all the world increasingly finds itself.

Schumpeter once pointed out, in reference to the "market socialist" response that was incorrectly thought to refute Mises's calculation argument, that socialist economists, "until they were taught their business by economists of strongly bourgeois views and sympathies, failed to produce an answer that would meet scientific requirements."[32] He might have added that the number of socialists who thought the Misesian argument against the economics of socialism was exploded by the "bourgeois economists'" rejoinder of market socialism was dwarfed by the number who simply did not care about Mises's or any other such arguments. This should not be surprising in light of the foregoing discussion. It would be logical to suspect, however, that with the widespread realization that there is no future in the utopia of moralization, radical disdain for consequentialist considerations might dissipate. Thus, one of the most prominent of the left economists who used to pillory Mises's socialist calculation argument, Robert Heilbroner,[33] is now so "shocked" by the collapse of socialism that he has concluded that after all, "Mises was right."[34] But like others in the ranks of Mises's new admirers,[35] Heilbroner still defends the need for a democratic, interventionist state that is powerful enough to remedy the ills of civil society—the "unemployment, maldistribution, and other market disorders that were a prime cause of socialism in the first place."[36] This leaves us no alternative, he thinks, but to accept "the continued tension between the private and the public realms."[37]

Not moralistic utopias, then, but the comparative effects of the welfare state and laissez faire would now seem to be germane. One might imagine that in these circumstances, we would see a much more robust debate between the advocates of capitalism and liberal defenders of the status quo than ever took place between the former and radical socialists. One might think that neoliberals would be eager to offer explanations of why, in their view, unemployment, maldistribution and disorder are the consequences not primarily of markets, but instead of attempts to regulate them and nullify their workings. There are, of course, many important neoliberal studies of how one or another particular social or economic problem can be laid at the door of the state rather than the market, but these do not constitute a challenge to the new consensus, which by nature may pick and choose among the wide range of possible interventions in accordance with whatever particular arguments are brought to bear. A challenge to the welfare-state compromise would have to take the form of a *comprehensive* consequentialist critique of the new consensus, but there is no sign of the emergence of such a critique.

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The reason is, arguably, either that no such critique is *possible*—i.e., that neoliberal welfare-state abolitionism is unjustifiable—or, alternatively, that a great many neoliberals think there is no *need* to develop such a critique. After all, if interventionism infringes upon "individual liberty," then *that* is what makes a coherent package out of all the consequentialist criticisms of the welfare state.

Only time will tell whether this mindset is ultimately responsible for the lack of a neoliberal theory of the welfare state. But assuming for the sake of argument that it is, then neoliberals need to think about how that state of mind developed, so it can be undone.

The Phenomenology of "Libertarianism"

Were "libertarians" to ask themselves what persuaded them of their beliefs, they would probably find that it was not a deeper than average belief in individual liberty that was initially decisive. Rather, it was exposure to free-market economics, whether Austrian, classical or Chicago-school—and whether the exposure was formal, informal, or even novelistic.

This is not to deny that "libertarian" ideology finds fertile soil in the Western and particularly the Anglo-American cultural tradition of individual independence from government, and in the feeling of self-sufficiency encouraged by participation in market economies. It should not be forgotten that capitalism is, in fact, the greatest actual source of negative liberty experienced in human history. We might call capitalism "really existing libertarianism" in order to recognize that despite its manifest imperfections in this regard, it does deliver far more negative and even positive (Smithian) liberty than have any deliberate attempts at emancipation. Many more people can now do what they want than ever before, thanks to the abundance capitalism has produced. Capitalism empowers the individual *qua* consumer, and often the individual *qua* producer as well. The resulting sense of unlimited possibilities for the fulfillment of plans and the satisfaction of desires works its way into our consciousness readily, in the form of a glorification of free choice and individual self-reliance—making negative libertarianism a natural fit for the bourgeois consciousness.

In this atmosphere, it is understandable that "libertarians" see their doctrine's equation of liberty and private property ownership as simple common sense. And given the prevalence of appeals to freedom in Anglo-American liberal culture, it is similarly unsurprising to find that "libertarians" see themselves as being the only ones who truly take to heart

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the rhetoric of liberty and non-interference that is common to both sides of the political spectrum.[38] But why is it that this individualistic rhetorical tradition is *not* taken seriously enough by most people to commit them to abolishing or nearly abolishing government in its entirety? Something unusual has to convince those who become "libertarians" that such a radical course is preferable to pursuing, in effect, the egalitarian logic of individualism, as most people do. That something is, one may surmise, economics. Virtually nobody would find their way to "libertarianism" without first coming to believe that laissez-faire capitalism would not only be feasible, but indeed that it would engender universal prosperity.

The Idolatry of "Libertarianism"

Yet according to the tenets of "libertarianism," the negative freedom to dispose of private property without constraint is good in and of itself, and *such consequences as prosperity are utterly beside the point.* Rothbard, a student of Mises and a former academic economist, has also been the most decisive influence on the contours of the systematic or *official* "libertarian" creed. And in this role as "libertarian" propagandist, he has promoted a philosophy which holds that economics, Austrian or otherwise, is quite irrelevant to deciding the value of capitalism. It is, in the official view, but a happy coincidence that laissez faire would better the material conditions of most people. Even if things did not work out so fortuitously—even if laissez faire led to universal deprivation—we can infer that Rothbard would still be proud to advocate it, because "libertarianism" is right, *regardless of its effects:*

> It so happens that the free-market economy, and the specialization and division of labor it implies, is by far the most productive form of economy known to man, and has been responsible for industrialization and for the modern economy on which civilization has been built. This is a fortunate utilitarian result of the free market, but it is not, to the libertarian, the *prime* reason for his support of this system. That prime reason is moral and is rooted in the natural-rights defense of private property. . . . Even if a society of despotism and systematic invasion of rights could be shown to be more productive than what Adam Smith called "the system of natural liberty," the libertarian would support this system. Fortunately, as in so many other areas, the utilitarian and the moral, natural rights and general prosperity, go hand in hand.[39]

Rothbard's bold position accurately states the logical consequence of making negative liberty (cum private property) the highest value. It is a position held not only by doctrinaire "libertarians," but by many in the larger category of less-consistent "libertarians" defined above. But it can

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only have taken root through a process of forgetting the role played by consequentialist economic logic in leading them toward "libertarianism" in the first place.

For that reason, we can say that official "libertarianism" is a *mystification* whose only apparent role—since it surely does not win "converts" to laissez faire—is to ossify the thinking of those who are already persuaded of the merits of the market, sparing them the trouble of puzzling out the limits of their convictions. What was, by virtue of its consequentialism, an open-ended set of insights into the nature of the modern economy is transformed by "libertarianism" into a hard-and-fast dogma: no exceptions to the rule of private property are allowable, so they *need not be contemplated.* As with all ideologies, "libertarianism" allows its adherents to write off ideas that depart from the doctrine as being "evil" and therefore unworthy of consideration.

Needless to say, the effect of official "libertarianism" has been to isolate its adherents not only from potentially disquieting self-criticism, but from the enriching influence of contact with the intellectual mainstream. By the same token, those under the spell of the official "libertarian" orthodoxy are unable to *exert* influence outside the relatively narrow circle of neoliberal or market-conservative institutions and publications.[40] The fetish of private property rights, by short-circuiting the natural progression from classical to social democratic liberalism, makes "libertarianism" simply obtuse, if not perverse, in the eyes of those who *really* take "libertarianism's" *own moral foundations* seriously.

Those opponents of "libertarianism" who have been reduced to explaining it as some sort of class-motivated New Right splinter[41] can perhaps be excused when we consider that they are trying to account for an intellectual movement consisting predominantly of economists and policy analysts, which nonetheless claims in its official philosophy to have no use for either economics or policy analysis.

From Economics to Moral Philosophy

Lest it be thought that Rothbard is the only "libertarian" who exemplifies the move from consequentialism to deontology, let us look briefly at the biographies of the other two founders of official "libertarianism," Robert Nozick and Ayn Rand. While they lack Rothbard's unwillingness to shrink from any absurdity to which their doctrine commits them, they, too, provide evidence that "libertarianism" involves the transfiguration of free-market economics into an equation of justice with negative liberty (defined as private property rights). Rand's and Nozick's perspectives could no more have come into being without the midwifery of free-

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market economics than could Rothbard's; yet not one of their developed doctrines has any *explicit* place in it for considering the consequences of the policies they advocate. Thus, Nozick was reportedly "converted" from allegiance to the radical left by studying Mises's argument against socialist calculation while a Princeton graduate student. And Rand, who as a victim of the Russian Revolution had strong reasons to oppose Communism, surely would not have developed her opposition in the political direction she did without the crucial aid of the free-market tenets she absorbed in America from such economists as Mises, with whom she was personally acquainted.

We have already adverted to the key step in transforming consequentialist arguments against government intervention into a deontological ban on any violation of "property rights": the adoption of a "Lockean" view of property ownership.[42] But one need not go all the way over to belief in the alchemy of property appropriation through labor-mixing in order to be a "Lockean." What counts is one's tacit acceptance of the notion that the individual as the fundamental unit of social analysis comes equipped with private property, so that to interfere with property inequalities would constitute a coercive invasion of individual liberty. This formula—property redistribution (or regulation) equals violence—is the basis of the dogma of moralistic "libertarianism."

Of the three major "libertarian" philosophers, only Nozick has received serious philosophical attention. This attention was devastating inasmuch as it asked *why* we should take for granted, as Nozick did, the equivalence of individual liberty and private property. No non-circular answer has been forthcoming, and the ranks of Nozickians have dwindled to a handful (Nozick not among them). Equally telling criticisms can be made of the Randian and Rothbardian versions of "libertarianism." Rand posited unfettered individual property ownership as being somehow congruent with the survival of "man *qua* man," failing to notice that every "man" in history has managed to survive without such a right, and that the essence smuggled in via the "*qua* man" caveat merely begs the question of why atomistic or rational aspects of human nature should be privileged over sociable or irrational ones.[43] Rothbard relies on a similarly one-dimensional and question-begging view of human nature; because his doctrine has received far less attention than either Rand's or Nozick's, it might be worthwhile to examine it in some detail.

Rothbard begins auspiciously, declaring that "for man, goodness or badness can be determined by what fulfills or thwarts what is best for man's nature. . . . Natural law provides man with a 'science of happiness,' with the paths that will lead to his real happiness."[44] One hopes that an empirical, trans-historical, consequentialist analysis of the conditions of

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human happiness will follow, in which cultural anthropology, comparative sociology, psychology or history will be employed. But it soon becomes clear that no such investigation is in the offing. Rather, Rothbard has recapitulated classical and medieval natural law teaching only as a means to a predetermined end: "a theory of liberty."[45]

While the ancients and the Schoolmen had metaphysical and theological excuses, not to mention scientific limitations, which prevented them from undertaking adequate empirical studies of the nature of human happiness, and while such studies would be, even now, immensely difficult, Rothbard is disabled by his own ideological blinders. The promised "science of happiness" is, in fact, never again heard from once it has been used to establish the desirability of identifying *some* characteristic of human beings as their essence—*regardless*, as we saw above, of the consequences for their happiness produced by the resulting ethics. So Rothbard fails to conduct even the limited sort of investigation of human nature undertaken by Aristotle. Instead, he turns straightaway to the stereotypical device of the bourgeois social theorist, Crusoe economics, not to derive truths of the economics of capitalism—for which there might be warrant—but to establish the human *moral essence.*

Abstracted from human contact,[46] Crusonian "man" is, predictably, found to be preoccupied with the exercise of his rational faculties in order to survive. We are to overlook the fact that had he been abstracted from the struggle with nature, as we are, rather than from society and culture, Robinson might have had time for thoughts of mortality or morality or love and might have been preoccupied with religion or service or community; his spiritual or empathetic capacities might have emerged as essential, and it might have seemed "natural" for him to be an obedient member of a family or even a state. (None of these possibilities, of course, would justify communitarian politics any more than Rothbard has justified individualism.) But by putting Robinson on a desert island, Rothbard thinks he has arranged things so that "reason is man's instrument of knowledge and of his very survival," and so that Robinson "discovers the natural fact of his mind's command over his body and its actions: that is, of his natural *ownership* over his self."[47]

At this juncture, naturally, Robinson is ready to mix his labor with inanimate matter, "stamping the imprint of his personality and his energy on the land,"[48] and *voilà*: private property emerges as natural and inviolable, although inviolability does not in the least follow from naturalness—even if one does accept the implausible assumptions of Rothbard's state of nature.

The purpose of lingering over Rothbard's derivation of private property is to show that "libertarianism," although not the bourgeois political the-

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ory *par excellence*—i.e., the theory that *makes sense to*, as opposed to the one that necessarily serves the "class interests" of, participants in capitalist society (an honor which goes not to "libertarianism" but to negative libertarianism generally, i.e., to liberalism) —is certainly the most natural political theory for man *qua* free-market economist. So we come full circle. Like most "libertarians," Rothbard began as a student of free-market economics. His life's work, however, has been to transmute this valuable, diverse tradition of social theory into a rigid orthodoxy that admits of no deviations and stifles the very curiosity about the modern world that spawned economic inquiry to begin with. Yet not even a strategic purpose is served by this transformation. Not only does it lead to a self-satisfied, intellectually sterile movement more concerned with repressing politically incorrect lines of thought than encouraging open-minded scholarship, but it is a politically impotent movement as well: one that cannot reach beyond itself with its message, since the latter is so closely tied to a parodic rendition of economistic assumptions that it exercises no influence over those who do not already accept them.

The inadequacy of the "libertarian" arguments for private property rights in no way justifies the redistributive, regulatory welfare state. But it does mean that a case against that state cannot rest on an alleged connection between unfettered private property and individual liberty or justice. If there is to be an effective defense of civil society against the state, it will have to be built on consequentialist foundations.

3. CONSEQUENTIALIST NEOLIBERALISM

Yet as soon as moralism is dropped from neoliberalism, it should be apparent that neoliberals can no longer feel constrained to conclude, at the end of their analysis, that the welfare state must necessarily be done away with. The predetermined policies recommended by moralistic "libertarianism" must yield to the careful scholarship of consequentialist analysis. If neoliberals want to participate in a vital intellectual movement rather than build a new political totem, this is a salutary development. But it means abandoning the security of knowing in advance what conclusions their research must reach. They might bear in mind the example of Friedrich von Wieser (1851–1926), the first-generation Austrian economist and forerunner of Mises who was, nevertheless, a socialist.

However, socialism would seem to still be a live option for neoliberals only if they fail to believe that its awful consequences outweigh the disadvantages of the "extended order" of the market. That in this order, economic calculation makes possible sustenance and even luxury for hundreds of millions of people should not blind neoliberals to the possibility

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that the consumerism, industrialization and impersonal social relations encouraged by the market are not unmixed blessings. Even if we are, in effect, foreclosed from reversing these developments by our physical dependence on capitalism, it would not hurt for those who appreciate the positive aspects of this situation to dispassionately examine the arguments of the critics of modernity—if for no other reason than to bring some balance to a debate that has been dominated by those who see only modernity's flaws.[49]

Assuming, though, that they conclude that attempting to drop modernity in favor either of socialism or some sort of localized, personalized economy is undesirable, then neoliberals must confront the Hegelian alternative: the democratic welfare state. And, without moralistic "libertarianism" to preclude the hard questions, this means that if they are to continue their adversarial posture toward the welfare state, neoliberals must find some overarching theory uniting (while not replacing) the consequentialist arguments against particular interventions that are now brought together only by their common "coercive" violation of "individual rights."

Elements of an Economic Critique

In the very first essay to appear in this journal, Don Lavoie claimed that "the Mises-Hayek challenge to planning can be generalized into a radical critique of interventionism of all kinds."[50] How might this be achieved?

First, neoliberals would have to discard their characterization of interventionism as being primarily a form of erroneous social theory, rather than a *lack* of social theory due to a surfeit of moralistic theory.

With some notable exceptions—e.g., the Fabians, the American Progressives, the Swedish Social Democrats—the welfare state has not been justified on "constructivistic" or "collectivistic" grounds, and even where it has, moral imperatives probably played a more important role than faulty social theory.[51] Here we are speaking on the most general level of motivation, meaning that there are bound to be exceptions. Just as some "libertarians" *are* motivated initially by moralistic rather than consequentialist arguments, many interventionists, particularly liberal interventionists, begin from consequentialism, and thus, in some instances, from constructivistic social theory, rather than from moralism. But that it is usually the other way around is what explains why, in Schumpeter's words, "capitalism stands its trial before judges who have the sentence of death in their pockets."[52]

Much more should be said about this than can be said here. But if the left is fundamentally animated by moralism rather than social theory, then

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the continued flaying of leftist "collectivism" or "constructivism" or the "planning mentality" not only aims at a dead horse, but a relatively unimportant one.

Both consequentialist and moralistic arguments in favor of intervention will be addressed by undertaking the main project of a neoliberalism that has abandoned illusions about the "constructivistic" or "collectivistic" nature of its adversaries. That project is the careful demonstration that there is something about all forms of intervention in civil society that frustrates, rather than serves, the *well-being*—as opposed to the moralization, or even the equality or the liberty—of all.

The Middle Way vs. the Slippery Slope

Mises began his own attempt at such a project by doing what Lavoie would later recommend: trying to tie piecemeal interventionism to the socialist calculation argument, claiming that there is no middle way between laissez faire and socialist central planning—forgetting, apparently, that he had demonstrated that what existed in Eastern Europe could not very well be socialist central planning.[53] But even if we overlook this lapse, substituting "really existing socialism" for "socialist central planning," Mises's argument does not close off a middle way. Work on Lavoie's project of generalizing the critique of socialism should probably begin with the reasons for this.

Mises argued, in brief, that the disruptions in a market economy caused by price controls would cause the controlled goods to become unprofitable; this would cause the state to mandate sales of the goods and then, when demand outstripped supply, to impose price ceilings on those other factors of production which would begin to attract investment away from the now-unprofitable industries whose prices were originally controlled. It is easy to see how this would, in strict logic, quickly lead to state control over the entire economy. Thus, Mises argued, if government could not be persuaded to turn back, the initiation of price controls would lead inexorably to central planning (although it is unclear why the state could not simply subsidize the originally controlled industry in order to continue to attract investment to it).

As Lavoie pointed out in one of the few discussions of this issue in the Austrian economics literature,[54] the most important factor overlooked by Mises's critique of "interventionism" is, obviously, that price controls are not by any means the only or the predominant form of state intervention in the market economy. It is understandable that Mises would focus his attention on price controls: the precise nature of the calculation argument is that private ownership of capital goods is necessary in order to generate

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the *prices* that enable an efficient allocation of resources to various possible means of production. Price controls, then, can be easily assimilated by a globalization of the Misesian critique of socialist calculation. The tough conceptual challenge facing a neo-Misesian critique of interventionism, however, is to show how *all* forms of intervention suffer problems comparable to those that are fatal to price controls. Are antitrust laws, food and drug regulations, automobile fuel economy standards, and central banking akin to price controls?[55] There are a host of powerful economic arguments against such diverse regulations, but can these all be reduced to the single argument that they distort prices? If not, then how does Mises's critique of price controls touch them? And what about taxation, the predominant means of modern state action: how can its depressing affect on *investment* be tied to the *price* distortions that would be the target of a globalized socialist calculation argument?

Perhaps this is too literal-minded an approach. Maybe price controls and central planning are themselves manifestations of some broader economic phenomenon that is also at work in other forms of intervention and redistribution, and is a possible target of criticism in its own right.[56] Or there may be a number of such deep phenomena, each accounting for different types of intervention, each susceptible to separate criticisms. For example, Mises advanced the fascinating theory that government bureaucracy is inherently more inefficient than that in the private sector, because while both spring from rigid rules imposed to control costs and impose fiscal responsibility in the absence of profit/loss accounting, private-sector bureaucracies are at least parts of organizations that do have a profit/loss bottom line, and are therefore less apt to become too inefficient.[57] Were this to prove true, then it could form the basis for a general criticism of government services as being more inefficient than privately provided ones.

The dependence of Mises's theory of bureaucracy on the role of prices in economic calculation suggests that one might group bureaucratic inefficiency, the shortages and surpluses caused by price controls, and the critique of central planning together into one category of interventions. But what are the other categories? A Weberian-style taxonomy of forms of intervention and redistribution might be useful; an evaluation of Rothbard's attempt to provide one is sketched in Appendix I below.

Or perhaps there is, in the end, nothing more than a long list of ad hoc economic objections to the vast number of different forms that intervention and redistribution take. But if that is the case, then, *if* consequentialist neoliberalism is to replace "libertarianism" in grounding a generalized opposition to the welfare state, it must overcome the problem that without an overall theory of what is inherently inefficient or destructive about

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intervention, the great number of neoliberal objections to intervention will continue to appear, perhaps justifiably, to be held together by little more than a "dogmatic faith in the benefits of the market."[58] (An alternative condemnation of a consequentialist neoliberalism that lacks an adequate theoretical foundation is discussed in Appendix II.)

The second problem with turning to a generalized version of Mises's critique of socialism for a global critique of intervention is the fact that intervention is undertaken by officials who are not, after all, automatons. This should give us pause before we overestimate the inherent economic irrationality of the state. If interventions led inexorably to more intervention, we would expect to find all the Western countries to have engaged in a spiral of interventionism that would have ended in the imposition of Soviet-style planning. But nothing like this has happened; although the proportion of national product under government control does tend to rise, there is no similar tendency for price controls or other forms of intervention to proliferate unchecked. Indeed, the worldwide movement away from nationalization and toward privatization, the removal of wage and price controls in the United States following their imposition in the early 1970s, the deregulation of airlines and trucking in the late 1970s, and many other phenomena confound any notion that there is an inexorable road to serfdom.

What unites these phenomena is that they demonstrate the ability of economic rationality to penetrate the thinking of legislatures and regulatory bureaucracies, moderating and even reversing the undoubted systemic tendency of Hegel's universal class, the civil service, to hamstring its enemy, civil society. In other words, the bureaucratic rationality postulated in Mises's nightmare scenario may be overcome by increments of economic rationality. In fact, it is conceivable that as time goes on, officials progressively come to realize that the common good requires protecting the economy from too much interference—especially when they are engaged in international competition with other governments, each vying to oversee an economy healthy enough to pay the bills of the welfare state. It is, after all, just such a situation that initially led to the consequentialist analyses which culminated in classical economics. As Dickey describes the teaching of the Scottish economist James Steuart:

> the statesman's economic responsibilities would prove to be "the most effectual *bridle* ever . . . invented against the folly of despotism." By this Steuart meant that as industry developed, and as the mechanisms for the policing of industry became more complex, the sovereign power, whatever its form, would become "so bound up by the laws of . . . political economy, that every transgression of them would run into new difficulties."[59]

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Obviously, the hope that the state will be rational enough to respond to this situation by refraining from interference is no argument *for* intervention. But it underscores the fact that a neo-Misesian critique of interventionism per se would have to explain not only that given interventions are undesirable, but that there is something about the *power* to intervene that is so undesirable that it must be *completely* denied the state. For this reason, a neo-Misesian version of neoliberalism would have to contain an *historical* element: unless there were a tendency for interventions to multiply *over time*, leading eventually to economic disaster, there would be no compelling reason for an absolute prohibition against intervention.

For even if an economic critique of interventionism persuaded us that all forms of state action partake of the economic inefficiency of price controls, there might be countervailing reasons to allow some intervention. There are, after all, worse things than economic inefficiency. Without an historical element to show that intervention leads to utter economic breakdown, a critique of intervention would lack any greater urgency than that attached to making already rich societies richer.

In this connection it is worth noting that a great number of American "libertarians" first came to their convictions during the 1970s, when the state seemed to be on a slippery slope toward ever greater power, and when as a result the economy seemed to be on the verge of collapse. (This was also, not coincidentally, the period which saw the development of the Habermas-Offe theory of the legitimation crisis of the welfare state.)[60] One suspects that many "libertarians" subconsciously carry forward the fear born then that the expansionist tendencies of the welfare state are uncontrollable and will lead to economic disaster. Such an historical hypothesis, *if valid*, could take the place in consequentialist neoliberalism of "libertarian" objections to intervention on grounds of moral principle as the source of welfare-state abolitionism. But first there would have to be a theory to allow us to generalize from the experience of the 1970s.

Such a theory might be derivable from the *pluralist* nature of the modern state. Once we grant the state any power to intervene in the economy, the accessibility of that power to a variety of factions, representing both private interests and competing conceptions of the public interest—each having a greater incentive to work for more intervention than has the public at large, in a given instance, to work against it—might grease the slide toward ever-greater expansions of state power. Against this tendency, even the resistance of economically literate bureaucrats and politicians may be powerless in the long run. The occasional repeal of certain regulations, while invalidating the particular logic of expansion identified by Mises, would not necessarily undermine the growth-of-government

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dynamic implicit in this loose, "historical" appropriation of public choice theory.

A loose version of public choice would hold only that concentrated benefits from state intervention are *available* to segments of civil society at the price of costs diffused over civil society as a whole. It would not, however, go on to assume that these segments, or the politicians and bureaucrats they try to influence, invariably attempt to use state power to gain those benefits, or that when they do, it is because of self-interest rather than ideology. Thus, in contrast to his "more zealous colleagues," Buchanan has written that the question of political motivation "remains, of course, an empirical question,"[61] and one that does not seem likely to justify universalizing the hypothesis of *Homo economicus.*

It is true that politicians are—whatever their motivations—selected on the political vote-"market" by virtue of their ability to satisfy constituents, just as entrepreneurs (even Gilderian altruists) are selected on the economic dollar-market by virtue of their ability to satisfy consumers. So to a certain extent we can treat politicians *as if* they are interested only in getting votes and can ignore their actual motivations. But the extent to which this is a good working model of political behavior is limited by the fact that modern democracy confers vastly more discretion on politicians than on entrepreneurs: the former must meet the "market" test rarely and, as Schumpeter pointed out, the voter is a much less discerning judge of results than the consumer. Since this bears not only on the validity of strong public choice assumptions about the self-interestedness of political behavior, but also on interventionist assumptions about the rationality of democratically adopted policies, it is worth quoting Schumpeter at length:

> In the ordinary run of often repeated decisions the individual is subject to the salutary and rationalizing influence of favorable experience. . . . Prolonged experimenting clears [away many] irrationalities . . . with most of the decisions of daily life that lie within the little field which the individual citizen's mind encompasses with a full sense of its reality . . . [:] himself, his family, his business dealings, his hobbies, his friends and enemies, his township or ward, his class, his church, trade union or any other social group of which he is an active member: the things under his personal observation, the things which are familiar to him independently of what his newspaper tells him. . . .
>
> However, when we move . . . away from the private concerns of the family and the business office into those regions of national and international affairs that lack a direct and unmistakable link with those private concerns, individual volition, command of facts and method of inference soon cease to fulfill the requirements of the classical [democratic] doctrine.

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> . . . The core of the problem is the fact that the sense of reality is so often lost. . . .
>
> Thus the typical citizen drops down to a lower level of mental performance as soon as he enters the political field. He argues and analyzes in a way which he would readily recognize as infantile within the sphere of his real interests. He becomes a primitive again. His thinking becomes associative and affective. . . .
>
> Even if there were no political groups trying to influence him, the typical citizen would in political matters tend to yield to extra-rational or irrational prejudice and impulse. . . .
>
> However, the weaker the logical element in the processes of the public mind and the more complete the absence of rational criticism and of the rationalizing influence of personal experience and responsibility, the greater are the opportunities for groups with an ax to grind. . . .
>
> The ways in which issues and the popular will on any issue are being manufactured is exactly analogous to the ways of commercial advertising. . . . Only, all these [advertising] arts have infinitely more scope in the sphere of public affairs than they have in the sphere of private and professional life. The picture of the prettiest girl that ever lived will in the long run prove powerless to maintain the sales of a bad cigarette. There is no equally effective safeguard in the case of political decisions. Many decisions of fateful importance are of a nature that makes it impossible for the public to experiment with them at its leisure and at moderate cost. Even if it is possible, however, judgment is as a rule not so easy to arrive at as it is in the case of the cigarette, because effects are less easy to interpret.[62]

In light of these observations, the idea that political "output" is subject to the check of voter satisfaction in a way that is at all comparable to the check of consumer sovereignty upon entrepreneurs seems rather naïve. Both with respect to electoral politics per se and even more with respect to the real business of representative government—the dealings among politicians and lobbyists that are rarely subject even to the infrequent scrutiny of the electoral "market"—the strong self-interest hypothesis, by downplaying the degree to which ideas and ideals have free rein among politicians,[63] cannot be justified[64] by virtue of the operation of a selection mechanism that, as in the economy, is assumed to bestow success on those who act *as if* they are self-interested. The self-interest hypothesis as applied to politicians may—if not borne out by biographical data documenting its actual applicability—do a much greater injustice to the real picture than does the same hypothesis in economics. Moreover, when it comes to unelected civil servants, we find important political actors unconstrained

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by *either* the political *or* the economic market, to whom, therefore, the application of the strong public choice model seems even more dubious.

A weak, interpretive (rather than positivistic), realistic (i.e. hypothetical) appropriation of public choice does seem to be called for, however. It raises the expectation that the net result of the pressure exerted by pluralistic politics would not usually be Mises's neat, "rational" imposition of one control to solve problems caused by another, although this might happen sometimes. Rather, there would be a proliferation of price controls and other interventions, especially redistributory ones, going in all sorts of contradictory directions, adding up to a cumulative but systemically irrational growth of government: a rather messy slippery slope.

But there is a third political factor, the democratic setting of modern interventionism, which may to some extent counteract the historical dynamic provided by pluralism. The apocalyptic fears of 1970s American neoliberals now seem exaggerated, but that is because in the 1980s, the electorate changed the course of public policy.[65] In the United States, a significant restraint was imposed on the growth of government by the election of Republican presidents, which was widely (and inaccurately) supposed to herald a popular "shift to the right." Despite the illusory basis of this "shift"—which was premised on a Reagan "landslide" that only captured a bare majority of the popular vote, but which then took on a cultural life of its own—the myth was persuasive enough to the political class that it effectively precluded new programs of intervention and redistribution. At this juncture, it seems that for all their lack of economic sophistication, electorates may exercise an important check on politicians through their tendency to vote their pocketbooks. It was almost certainly this tendency, plus weak Democratic opponents, that produced Ronald Reagan's election in 1980, his re-election in 1984, and the election of George Bush in 1988. Perhaps, then, a mechanism as inexact as the popular selection of public officials is adequate to short-circuit the self-destructive dynamic of the pluralist welfare state. But in the absence of such a dynamic, it seems that there *is* a middle way between the hegemony of either state or civil society, and that, therefore, neoliberals will be hard-put to establish a consequentialist economic case for the abolition of the welfare state.

Neoliberal Reformism vs. Neoliberal Abolitionism

Thus, even if there is a persuasive general explanation of why government economic intervention is always undesirable, the democratic welfare state may, unlike Soviet-style socialism, possess political resources that reduce its potential to do disastrous damage to civil society. This may make the

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abolition of the welfare state economically unnecessary, no matter how economically efficient it would prove.

The ubiquity of the interventionist state does, furthermore, suggest that it fills *some* need. The historical record suggests that this need is the desire of those who are or who consider themselves to be harmed by civil society to see their grievances addressed—although not necessarily *redressed.*

The gap between the welfare state's alacrity in addressing grievances and its performance in redressing them is, of course, precisely what is underscored by economic arguments against intervention. Therefore, those who find neoliberal economic arguments valid, yet inadequate to prove the desirability of welfare-state abolitionism, are gambling that the risks of radical change, including the feeling of disenfranchisement such change would produce in the "beneficiaries" of intervention, are worse than the devastating consequences neoliberals already claim are produced by the welfare state. In this view, the ruined lives of the American underclass and of racial and ethnic minorities worldwide, cut off from economic advance by measures imposed by national majorities (e.g., in the United States, by the rigidification of the economy through special-interest legislation against unskilled labor and self-employment); the unemployment created by, and the resources wasted on, counterproductive subsidies, macroeconomic mistakes, financial misregulation, corruption, inefficient bureaucracy, etc., resources which could have been invested in order to continue the capitalist process of raising the living standards of nearly everyone that began before the industrial revolution; and all the other claims against the state made by neoliberal economists may—even when united into a comprehensive economic critique—add up to less than a *political* case for abolishing the welfare state.

The only way of deciding this issue would be for scholars influenced by neoliberal insights to undertake rigorous historical and sociological research into the reasons for the universal spread of the nation state and for its assumption of social welfare responsibilities. This would give some definition to the concerns any responsible observer must feel when weighing the costs as well as the benefits of abolishing the welfare state.

But whether it turns out to be abolitionist or reformist, what should be apparent from this sketch is that, by virtue of its direction toward the well-being of the greatest number of people, consequentialist neoliberalism is properly not a fetishization of private property, but rather an attempt to actualize, through that institution, what *should* be the goal of the liberal left. For if, as neoliberals claim, the welfare state is ineffective and counterproductive, then it is ideology, not a truly social conscience, that bonds the left to it—as, elsewhere in these pages, David Beito contends is the case of those left historians who, in a reactionary reflex against

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"Reaganomics," have abandoned their justifiable criticisms of the welfare state in order to defend it from being cut back.[66]

Just as positive libertarianism can become fixated on being rather than doing good; just as the "libertarian" is obsessed with the preservation of private property rather than with the economic benefits he or she believes flow from its protection; so, too, can the liberal social democrat become so attached to the state that evaluation of how well it is meeting its purpose—helping people—becomes secondary.

From Economic to Political Critique

Schumpeter's answer to the public choice assumption that the electorate is so rational that politicians' behavior can be modeled as if they were in a vote market—competing for the favor of voters whose every action is designed to advance their correctly perceived self-interest—while, on the one hand, posing a problem for neoliberals who favor the abolition of the welfare state in order to stop a slide toward *economic* chaos, provides on the other hand the basis for a neoliberal *political* critique of the welfare state. For Schumpeter draws on an insight that is second nature to neoliberals, who daily confront such a low level of public economic understanding that they become convinced that *the electorates of democratic polities are ignorant of the workings of civil society, over which the democratic state has given them political power.* Neoliberals therefore sense that the nature of modern society is such that even the best of intentions are unlikely to result in the common good when they are translated into political interference with civil society.[67] The general economic incompetence of the electorate calls for a *general* criticism of intervention; it is in the absence of a consequentialist argument along these lines that neoliberals find themselves turning instead to "libertarian" moralism.

An alternative that would more directly address this concern about the economic ignorance of the electorate is a critique of the desirability of state control over matters about which voters are ignorant. Consider cases of intervention regarding which even interventionist economists are in almost universal agreement, such as the deleterious effects of rent control, minimum wage laws and drug prohibition. The logic of their opposition to these policies is, apparently, permanently obscure to the public: no matter how plain the failure of the policies in question becomes, public support is unwavering. Neoliberals are onto something when they wonder whether the same public should have the power to decide the more arcane aspects of economic policy, about which even professional economic opinion is divided.

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The simplest explanation for public ignorance of even elementary economics is that the working of an impersonal economic order is counterintuitive. When the price of gasoline increases, one naturally tends to blame the oil companies: their profits are visible and their actions are therefore comprehensible. What is relatively invisible is the competition, potential or actual, that restrains their actions: if they were free to raise prices at will, why would they need the "excuse" of an oil embargo or Iraq's invasion of Kuwait to do it?

Only in the grossest sense does there seem to be a learning curve at work in improving public understanding of the economic principles brought into play by the government's involvement in the economy: from personal experience, e.g. from standing in line endlessly at the post office, most people come to realize that government-run agencies are relatively inefficient. But they do not know why this is, so they cannot extrapolate from their experience in order to illuminate more subtle issues.

Schumpeter noticed the same thing, but expressed it only from the point of view of the free-marketeer: "The case for capitalism . . . could never be made simple. People at large would have to be possessed of an insight and a power of analysis which are altogether beyond them. Why, practically every nonsense that has ever been said about capitalism has been championed by some professed economist."[68] But even more than in the case of the neoliberal economic critique, the political critique of the welfare state has much to offer the *left*. Mises's formulation of the argument brings out this aspect of it:

> The social philosophy of the Enlightenment failed to see the dangers that the prevalence of unsound ideas could engender. . . . The classical economists and the utilitarians . . . blithely assumed that what is reasonable will carry on merely on account of its reasonableness. They never gave a thought to the possibility that public opinion could favor spurious ideologies whose realization would harm welfare and well-being and disintegrate social cooperation. . . .[69]

This is a problem that should be apparent regardless of one's political sympathies. Left political activists who want *more* state intervention and who decry cutbacks in government social and cultural programs should be as disillusioned with the sagacity of the democratic electorate in economic matters as conservatives who want less intervention. One does not have to think that the welfare state is too large in order to recognize that it is ineffective or even counterproductive—even if the reason for this is the electorate's refusal to fund it adequately. The middle-class "capture" of the welfare state, as a way to subsidize its own interests,[70] especially when combined with the shortsighted impatience with taxation that perennially

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goads electorates into gutting social programs, leads just as legitimately to questioning the desirability of the welfare state *in light of political reality* as do the economist's arguments against the efficiency of redistributive measures *in light of economic reality*.

Even with a comprehensive economic critique in hand, neoliberal abolitionists will have little to say, on economic grounds alone, against those welfare states (e.g. in Scandinavia) that are run by relatively efficient bureaucracies and that care for homogeneous populations, reducing the probability that an underclass will be excluded from the benefits of state and civil society. For even if everything the state does in such societies could better be done privately, the net economic effect of state action is merely to reduce the standard of living of a more than comfortable population. There are, however, important questions about the desirability in non-economic terms of this kind of society—questions that could lead to a neoliberal sociological critique of the welfare state.[71] Even if such sociological reservations do not prove decisive when considered in isolation, their importance, and their salience to the left, is dramatically greater in the presence of the political critique. For although there do seem to be welfare states that, at the very least, "work" in the sense of delivering what they promise without destroying the economy, even they are not exempt from tax revolts which can pull down relatively successful public programs. And since those programs have, in many cases, long ago displaced the "intermediate structures" of civil society, the social results of public unwillingness to pay the price of the welfare state can be disastrous. (This, indeed, may be part of the explanation of the American "underclass" problem, in light of Beito's research on the mutual aid associations that may have been undermined by state action, leaving the American poor without the social infrastructure that would free it from reliance on the whims of public opinion.)

Little matter, then, that the left attributes welfare-state failure to a lack of political will, rather than to the inherent incapacities of intervention alleged by neoliberals: whether in moral or intellectual capacities, the two groups agree about the grave deficiencies of democratic electorates. Only those who think that the welfare state as it is is satisfactory, or that it was until recently, or that it appears that it will soon be, can deny that, even in the absence of an economic critique, the political critique of the welfare state may warrant consideration.

The reason for the independence of the political from the economic critique is that the latter questions the inherent ability of the state as a means: it is not, according to the economic critique, *the best way* to end poverty, reduce inequality, or provide the host of services it attempts to. This is a highly contestable technical claim. But the political critique can

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be directed not only against the state as means, but against the ends it pursues. In its neoliberal version, the political critique argues that public ignorance about economics frustrates the achievement of the chosen ends of the welfare state; but, as just suggested, from the left comes another version of the political critique, questioning the *will* of the public to pursue the proper ends of the welfare state.

How can this be, when the point of the Hegelian synthesis was to use the state as a corrective to the *market's* deficient moral will?

The answer, of course, is that by virtue of being democratic, the welfare state instantiates the *negative* liberty of the very same people, the electors, who are to be *positively* regulated by the state in their capacity as producers and consumers. Here is a paradox worthy of intense exploration, inasmuch as it exposes the fundamental contradiction in our *thinking* about the welfare state—as opposed to our policy proposals for it.

The paradox was recognized but by no means solved by Hegel, whose analysis of public opinion could have been written by Mises or Schumpeter (setting aside the fact that by "rationality" Hegel meant morality, rather than the selection of appropriate means for given ends):

> The formal subjective freedom of individuals consists in their having and expressing their own private judgements, opinions, and recommendations on affairs of state. This freedom is collectively manifested as what is called 'public opinion', in which what is absolutely universal, the substantive and the true, is linked with its opposite, the purely particular and private opinions of the Many. Public opinion as it exists is thus a standing self-contradiction, knowledge as appearance, the essential just as directly present as the inessential.
>
> Public opinion, therefore, is a repository not only of the genuine needs and correct tendencies of common life, but also . . . becomes infected by all the accidents of opinion, by its ignorance and perversity, by its mistakes and falsity of judgement. . . . The more peculiarly one's own an opinion may be the worse its content is, because the bad is that which is wholly private and personal in its content; the rational, on the other hand, is the absolutely universal, while it is on peculiarity that opining prides itself.
>
> . . . public opinion . . . is such a hotch-potch of of truth and endless error. . . .
>
> Public opinion therefore deserves to be as much respected as despised. . . . Thus to be independent of public opinion is the first formal condition of achieving anything great or rational whether in life or science. . . .[72]

Hegel's skepticism about public opinion is, of course, consistent with the familiar concern of political theory with the morality of political

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agents. Since civil society is not ethical, in Hegel's view, it must be tamed by being represented only indirectly, through corporate estates—just the sort of compromise between negative and positive liberty that Marx would try to overcome. No carving up of the electorate into corporate estates could escape the fundamental undermining of positive liberty involved in giving the public the right to vote for whatever it desires. Hence the radical critique of the welfare state. But even judged according to *liberal* criteria, the political critique points up the inadequacy of turning to democracy in order to regulate the market.

The Paradox of the Democratic Welfare State

This is because of the paradox that *in democratic welfare states, the ultimate authority in the state is civil society.* To call for the achievement of positive *or* negative liberty by means of democratic intervention or redistribution is to seek moral action from the electorate: i.e., from the very same people who, as members of civil society, cannot or will not act morally. This is hardly a realistic solution to the problem of rectifying social injustice. (The exception is in the case of public goods that can only be attained by overcoming the recalcitrance of free riders.)[73]

Consider, for example, government aid to the poor. It would be one thing if the poor constituted an electoral majority that was able to expropriate the rich minority by means of the democratic state. Then, the state truly would enable action that civil society would not undertake on its own. But in the first world, the electorate consists predominantly of a large middle class. Welfare programs, then—inasmuch as they are not transfers from poor, rich and middle class alike to the middle class, or from one segment of the middle class to another—are possible only if the middle class freely decides to *tax itself* in order to support the poor. Surely, then, it cannot just be *assumed* that solutions to the problem of poverty will more likely come from the state than from voluntary action on the part of the same middle class that must voluntarily vote for state solutions.[74] If middle-class charity is inadequate to meet the needs of the poor, on what basis is it assumed that middle-class votes for welfare programs will not be every bit as inadequate? Indeed, they proved to be in the 1980s. The very thing that saved the welfare state from the economic critique therefore leads directly to the political one.

It is almost certainly true that some of those who vote for welfare programs would not voluntarily contribute to charity because they view poverty as a public good—i.e., a problem that is only worth tackling in its entirety, and one that therefore cannot be affected by individual action. Others, however, might realize that it is within the power of a single

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individual to significantly affect the life of a single impoverished person or family by redirecting to them some of the time or money now taxed away by the welfare state; in this way a public goods problem could, in the absence of intervention, be broken down into individually manageable private goods problems.

Probably more important than the public goods argument against the paradox of the welfare state in this instance is the idea that a "socially conscious" minority of the middle class may form an expropriatory coalition with the majority of the poor in order to extract much more in welfare from the rest of the middle class than would be forthcoming from middle-class charity. This is persuasive, however, only when looked at in isolation from the realities of the welfare state. For even if an expropriatory coalition does or could extract more wealth for the welfare state than would be donated individually to charity, this may not redound to the benefit of the poor, considering the manifest failure of welfare programs—at least in the United States—to produce results at all commensurate with their expenditure of hundreds of billions of dollars. Thus, in light of the sheer bureaucratic waste and the intramural middle-class transfers that eat up most of the funds of the welfare state, we might ask whether more good would be achieved if the middle class retained all the funds taken by the expropriatory coalition and instead donated only a fraction of that amount to "competitive," and therefore more likely effective, charities.[75]

The point is not that we should rely on charity to lift the poor from poverty. If state welfare is to be abandoned, the more important remedies for poverty would probably lie in the repeal of special-interest legislation that cuts the bottom rungs of employment and self-employment from the economic ladder; in the repeal of drug laws which make drug dealing so much more remunerative than entering the legitimate labor market; in reforming education through privatization; and in the stimulus to mutual aid that would come from removing the welfare apparatus and abolishing the measures that may have contributed to the decline in such aid. Charity would probably play a relatively minor role, in helping the chronically disabled and socially uprooted who remain.

The point of comparing the prospects for charity with the reliance of the welfare state on the consent of the majority to be taxed is, rather, to illustrate that as long as it is democratic, the Hegelian compromise between positive and negative freedom is no compromise at all: there is no reason to think that the electorate will behave differently than the bourgeoisie of which it largely consists. Even the contingent solution to this paradox provided by the "expropriatory coalition" comes at the cost of ignoring the actual performance of the expropriatory state in addressing

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the needs of the poor. It therefore strengthens the reason for exploring the paradox of the democratic welfare state, which is to highlight how easy it is simply to assume that the state can solve problems created by civil society, when in the democratic era the state *is*, in effect, civil society.

Through his failure to sublate positive and negative liberty by means of some kind of moral education of the bourgeoisie, Hegel avoided Marx's utopianism, but only at the cost of retreating from radical to liberal libertarianism. And like contemporary social democratic liberals, he never fully confronted the fact that the agency of right in a democracy, the state, is (in theory) under the thumb of the very bourgeoisie it is supposed to control. If the bourgeoisie wanted to help the poor, it *could* elect governments that attempt to do so, as it now (usually) does; but it could just as well help them without the mediation of government. And if it did *not* want to, there is no reason to think it would want to do so any more through government than on its own. Once the paradox is recognized, the logic of the liberal democratic welfare state is severly undermined, i.e., it becomes vulnerable to the "leftist" version of the political critique.

Yet except in exaggerated versions—Marxist class theory on the left, public choice theory on the right—the political critique is seldom voiced. Instead, despite all the government-bashing of recent years, we reflexively turn to "the state" to provide what "society" cannot—even though, in a democracy, state and society are one. This reflex is so fundamental that examples of it could be endlessly multiplied. Even Michael Walzer, in an important meditation on "The Idea of Civil Society"—by which he means not Hegel's civil society, the market, but the non-economic, non-governmental institutions of association—writes as follows:

> Families with working parents need *state* help in the form of *publicly funded* day care and effective *public* schools. National minorities need *help* in organizing and sustaining their own educational programs. Worker-owned companies and consumer cooperatives need *state* loans or loan guarantees; so do (even more often) capitalist entrepreneurs and firms. Philanthropy and mutual aid, churches and private universities, depend upon tax exemptions. Labor unions need *legal* recognition and guarantees against "unfair labor practices." Professional associations need *state* support for their licensing procedures. And across the entire range of association, individual men and women need to be protected against the power of officials, employers, experts, party bosses, factory foremen, directors, priests, parents, patrons; and small and weak groups need to be protected against large and powerful ones. For civil society, left to itself, generates radically unequal power relationships, which only *state power* can challenge.[76]

Neoliberal economists could, and have, challenged each of these assertions about the *need* for and *effectiveness* of state action. What is brought out by

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the paradox of the democratic welfare state is the assumption that links both types of claim together, which is only secondarily related to the explicit consequentialist issues. It is probably not unreasonable to assume that Walzer did not refer to the scholarship that has subjected so many of his claims to trenchant criticism, for although he is sure to have had the consequentialist arguments for intervention in mind, he selected some of the weakest cases for intervention extant—judged consequentialistically. Instead he seems to have brought together a number of the arguments for intervention on the basis of the difficulties civil society would have in generating the "needed" actions, considered in light of the fact that *if* the state were omnipotent, omniscient, and omnibenevolent, it would be able to fill the needs. How else could he assert without qualification that day care and education and "help" for minorities *must* come from the *state*, as must help for cooperatives, entrepreneurs, and charities? In a benevolent dictatorship, perhaps; but if outside help is needed by these groups, why must the *democratic* state necessarily, automatically, be its source? What, in fact, does it mean for a democratic state to be such a source, if not that the electorate, and thus civil society itself, is the real source?

By assuming that the state has at its command extraordinary powers unavailable to civil society, even though in a democracy, the two are virtually equivalent, Walzer is implicitly *reifying* the state.

This bespeaks the survival into modernity of an ancient double standard, an unspoken Platonic assumption that the state possesses some special, almost magical quality absent from society. Even if it were once plausible, in the democratic era this double standard begs to be subjected to scrutiny. Doing so would be the starting point for the *cultural* critique of the welfare state.

4. THE CULTURE OF THE NEW CONSENSUS

The double standard which allows political institutions, with all their recognized faults, to be treated as if they were of a different order than the mortal world can be labelled *statism*; as we shall see, it depends on a mode of social thought closely related, although not reducible, to the *moralism* discussed in Section 1.

The Culture of Statism

What can be said against the venerable habit of assuming, in effect, that government is somehow located in a realm separate from the rest of

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society, such that it is necessarily presumed to be in a position to correct the deficiencies of the latter?

Public choice theory offers an argument against the *motivational* version of this assumption, which for obvious reasons, however, applies only to the elements of the state that are not democratic.

Public choice theorists have pointed out (in effect) that Hegel's "universal class" of bureaucrats is made up of human beings, and that if human beings in civil society are amoral or immoral, so too must be those who run the state. But this no longer need be true if there is something about the personnel of the state that makes their motives different from those that predominate in civil society. Steven Smith has suggested that Hegel, by making available the *Philosophy of Right* to the aspiring bureaucrats in the German universities, was trying to effect just such a differentiation.[77] In general terms, programs of moral education that are not feasible for society as a whole might still be able to produce civil servants, like those in Western Europe, who are more public-spirited than a cross-section of the general public would be. Even in the United States, which in large part lacks an elitist bureaucratic educational tradition, it is injudicious to assert dogmatically, rather than to test hypothetically, the notion that government officials are all out for personal gain, or even that as many of them are so motivated as are people at large. Moral education may provide no *guarantee* that the prescribed role of the state in counteracting civil society will be actualized—contrary to the statist moral assumption. But since a process of moral education *might* be at work in the self-selection of public servants and the institutional culture of public service bureaucracies, there may well be reason to think that the public choice "argument for symmetry"[78] between state and civil society is unwarranted.

A neoliberal challenge to statism would, in any case, have to go beyond the question of the moral character of the personnel of the state. For the reflexive urge to turn to the state to solve problems, without wondering what super-social resources it can bring to bear, bespeaks an acceptance not only of "the myth of benevolence,"[79] but more subtly of the assumption that *benevolence is all that matters.*

This latter assumption is what accounts for the fact that in the pinnacles of our culture it is considered naïve to think that self-help or mutual aid or simply the market process can solve social problems. It is this attitude that will predispose intellectuals to reject the findings of scholars who contemplate the possibility that interventionism is unnecessary, ineffective, or positively destructive.

But the intellectuals' superficially hard-headed attitude is too rarely based on studies of the history and functioning of civil society's deficiencies.[80] Where it is based on such studies, naturally, the charge of statism

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does not apply. But what often seems to be at work is simple disbelief that much good could come from civil society, a bias gounded in the prevalence in civil society of the motive of self-interest. The point of the neoliberal critic of such statism should not be restricted to the public choice claim that self-interest is no more prevalent in civil society than in the state; it may very well be more prevalent. The point should instead be that its prevalence may not necessarily lead to undesirable *social consequences.*

This consideration returns us to the libertarian non-consequentialism explored in Section 1. What follows is a tentative outline that might pull together the loose threads of that analysis. In the case of radical, positive libertarianism, the source of nonconsequentialism was a concern with moralizing people's attitudes rather than achieving good ends. But inasmuch as this concern grew out of a substitution of individual moral authority for substantive criteria of good actions, it was only one version—moralization—of the general phenomenon of moralism characteristic of libertarianism. Thus, "libertarian" liberals are distracted from the beneficial consequences of unfettered private property by the idea that that institution embodies the ultimate good of individual authority. Left liberals, freed of this distraction, tend to fill the emptiness of moral authoritarianism with a substantive value, egalitarianism, thereby exchanging negative for pure positive libertarianism while cloaking the latter in the negative-libertarian garments of individual rights. As this happens, the left libertarian may become "radicalized" in one of two senses. First, he or she may become a radical positive libertarian, throwing off the constricting garb of rights in favor of a reconstruction of society that will reform our consciences and free us from the need for moral tutelage. Alternatively, he or she may demand ever more vigilant watchfulness against moral turpitude, which is simply assumed to be responsible for deviations from social justice.

But now our analysis of liberalism seems to have collapsed into that of radicalism. We seem to be accusing both of paying more attention to motives than to social theory.

In Section 1 we found that radical libertarianism worked a sacrilegious change upon egalitarianism in placing as much or more importance on moralizing people as on the reason to do so, namely, to improve their lot. But the reason for the similarity between this first form of radicalism (moralization) and the second (liberal moralism) is that they share a common assumption: that a good will must produce good results. Here is a primitive form of social theory that, in our analysis of radical libertarianism, can be hypothesized as encouraging the "inward" equation of the pure will with morality. But that form of social theory would seem

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to be an independent force in Western culture, like statism, and one that is therefore capable of affecting not only radical but liberal libertarians. Even in the case of social democratic liberals who seek not the moralization of conscience per se, but equality, then, we should not be surprised to find opposition to civil society that is based not on a comparison of the amount of well-being or even equality likely to be achieved by alternative social orders, but rather on civil society's encouragement of selfish rather than egalitarian motives, combined with a desire to suppress rather than sublate those motives.

Now we have a highly speculative description of a putative negative-libertarian liberal moralism, but we have yet to discover why it attaches itself to *government.* The tendency to resolve moral questions into questions of authority might give us the explanation we are seeking. In this analysis, the culprit would be a Platonic view of the state according to which real states are evaluated not with an eye to their actual economic, political and sociological contexts, but instead as if they were instantiations of a Republic so constructed as to make it the repository of superior moral wisdom. By elevating the Guardians above society through the training they were given in perceiving the Form of the Good, Plato may have propagated the assumption that real states are the *ultimate* source of moral authority—as long as they meet the moral criteria of the age. Thus, while majority rule is the very thing that should give the lie to the modern state's claim to be positioned to moralize civil society, it may have proved essential in conferring Platonic status on the state in an age when the Christian ideal of equal individual dignity has culminated in the worldwide ascendancy of democratic government.

The Culture of Moralism

This allows us to form a better picture of the way moralism works in political terms. On the one hand, among radical libertarian moralizers, there is no need for a state as such, and therefore no political paradox, since a revolution in conscientiousness eliminates the need for external control. Among liberal moralists, however, there is a definite place to be filled by the state, since some *moral police power* must rectify social injustice. (This is not to say that other agencies, such as the university, will not also be used if they are available.)

A neoliberal cultural critique, then, would have two initial targets, statism and moralism, which work together to marginalize the neoliberal economic and political critiques. But as we saw, there may be no plausible abolitionist conclusions to be drawn from the economic critique, and the same is true of the political one: for where there are genuinely public

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goods, then even in a democracy there would seem to be *some* things the state can do that civil society cannot. The question then arises as to whether a neoliberal critique of modern culture would serve any purposes of its own, apart from being a prolegomenon to reformist economic and political neoliberalism.

The considerations involved are too complex for treatment in an already overlong essay, beyond the following brief comments. The phenomenological roots of "libertarianism" indicate that the desire of neoliberals to effect radical political change may be a displacement of what is already a *cultural* impulse. If so, then if the failure of its abolitionist political ambitions deprives neoliberalism of any political role other than advising the welfare state as to how most efficiently to achieve its ends, neoliberal cultural criticism might begin to address openly what was only indirectly being discussed in the guise of abolitionism. Would the abolition of the welfare state satisfy neoliberals, even if our culture remained statist and moralistic? Or is their real goal changing the cultural consensus, even if the welfare state as an institution somehow remained intact?

One has to wonder if the latter is not closer to the truth, considering, for example, the immense popularity of Ayn Rand among neoliberals. In the guise of attacking altruism, Rand seemed to be meeting head-on the superficiality and irrationality of the moralism that is so pervasive in our culture.

Popular impressions to the contrary notwithstanding, what alienates neoliberals from the culture of altruism is not its admonition to empathize with the plight of other human beings. The problem is, rather, that if one accepts neoliberal economics, the notion that altruism is an adequate tool for solving social problems seems absurdly simplistic. Initially, it is *compassion as a social theory,* or as a primitive substitute for a social theory, that disturbs neoliberals.

One need not think that there is something philosophically defensible about miserliness, materialism, bigotry or insensitivity in order to feel uncomfortable with a culture which locates in these nasty sentiments the source of every evil. The problem with such a culture is simply that it ignores the lessons of social theory, particularly economics. For economics teaches that paradoxically, through the operation of counterintuitive mechanisms, social problems may (under certain conditions) best be solved not through the application of well-intentioned state power, but instead by allowing the moral anarchy of civil society to play itself out. The moralism criticized by neoliberal consequentialists, then, is the cultural background to the particular Form of the Good "revealed" to the welfare state; it is not the identification any human being feels with the misfortune of others. It is the ideology that leads, by way of statism, to the

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notion that one need only identify a social problem and point the state in its direction, never pausing to consider with an open mind that the problem may be insoluble or only soluble at the cost of worse problems.

Opposition to such moralism can, however, turn into misanthropy; a commitment to economic freedom because it produces the most for the greatest number can turn into an unwitting defense, first, of economic growth as an end, rather than as a means to the ends of those for whom one wishes happiness; and then, second, into a defense of private property for its own sake. A consequentialist *positive* libertarianism implemented by means of laissez faire, a justification of capitalism based on the requirements of human well-being, can regress into its moralistic negative progenitor; civil society can become an idol as easily as can the state. Is there really something good about the capricious indulgence of one's tastes, regardless of what they involve?—or is it that there is no way to forbid such indulgences that does not end in poverty and dictatorship, cures worse than the disease?

A neoliberal cultural critique does *not*, therefore, involve a Randian or "libertarian" apotheosis of selfishness, private property or negative freedom. Rather, it takes shape in opposition, first, to the political culture of the welfare state. In its more radical version, unrealistic assumptions about the ability of the state to "enact" compassion are replaced by what we now know are unrealistic assumptions about the results to be expected from a revolutionary replacement of the state by an internalization of compassion in each human being.

But there is also a non-political side to the liberal version of this culture. It includes not only the endless variations on the theme of the greedy businessman as the root of all evil, but also such phenomena as the myth of the selfish, right-wing yuppie, the hortatory saga of those with high ideals who "sell out" by participating in "the system" (and the guilt that pervades participants in it, and our culture generally), and also the myriad manifestations of disgust at Western civilization spreading through the campuses. Far from reflecting value relativism or genuine multiculturalism, what is known as "cultural radicalism" (but which we have linked to liberalism) is in touch with the deepest currents of our civilization, which blame all ills on bad wills. Thus a search for ever subtler forms of racism has emerged from justifiable outrage over the condition of racial minorities, leading paradoxically to a society which is, by any measure, less and less racist but is more and more being consumed by racial conflict.

Neoliberal cultural studies would begin by recognizing that the cultural radicals whom conservatives accuse of being "enemies of the West" are in fact its finest moral flower, so that what is called for is not a *defense* of Western culture but a critical appraisal of its internal contradictions. While

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the economically consequentialist critique would apply economic insights to the actuality of state and civil society, and while the politically consequentialist critique would examine the actual interaction between self-interest, ideology and electoral incompetence, the cultural critique of the welfare state would begin with the failure of our culture to be nearly as interested in such matters as in demonizing insufficiently good wills and in blithely assigning to the state whatever problems such wills are thought to have caused.

This schematization shows that even neoliberal political action is at bottom *intellectual* rather than political, concerned with the validity of moral and political *ideals* that lead to an overvaluation of the state in comparison to civil society—and concerned, therefore, with the cultural origins and consequences of that overvaluation. Thus, it may turn out that neoliberal political effects will follow from consequentialist research more readily than from moralistic "libertarianism"—which as a political movement can call on no constituency, precisely because of its estrangement from contemporary culture. Indeed, considering the example of the left, which as a vibrant, multifaceted intellectual movement has exercised vast political power through its cultural influence, "libertarian" politicians might do worse than to hope for the success of their consequentialist colleagues. But no intellectual movement can be tied to partisan orthodoxies if it is to prosper; recovering the consequentialist precursors of "libertarianism," neoliberals would have to shed the political imperative that transforms such insights into a creed as moralistic as those it sets out to replace.

By rescuing the rationale for negative liberty from its "libertarian" defense, consequentialist neoliberals can contribute to a rejuvenation of modern social theory, helping to move it beyond the stale and increasingly absurd equation of morality with the state. Starting with an exploration of how the Western ideal of socialist emancipation leads, in the modern context, to economic collapse and political dictatorship, neoliberals can attempt to trace parallels to that denouement in the democratic welfare state: not by fruitlessly seeking to deny interpersonal moral obligations, but by exploring the actual consequences of their attempted implementation by means of the egalitarian state as compared to the well-being made possible by a minimal state.[81]

At "the end of history," we are saddled irrevocably, it would seem, with negative liberty: capitalism and democracy. We are free to do what we want, but not necessarily free to do what we *necessarily* want: the good. But in showing how this has come about, consequentialist social theory, after having been so long subordinated to moral philosophy, can illuminate those goods that are offered by modernity, and can add an emancipa-

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tory contribution of its own: liberation from a culture that, in its present form, can never be at peace with the society of really existing liberty.

NOTES

1. Francis Fukuyama, "The End of History?," *The National Interest* no. 16 (Summer 1989): 3-18.
2. *Ibid.*, 4, 18.
3. Jeffrey Friedman, "The New Consensus: I. The Fukuyama Thesis," *Critical Review* 3, nos. 3-4 (Summer-Fall 1989): 373-410.
4. Fukuyama, 12.
5. See Peter Berger, *The Capitalist Revolution: Fifty Propositions About Prosperity, Equality, and Liberty* (New York: Basic Books, 1986), 176.
6. See the citations in Friedman n25.
7. This, at least, is the argument of Peter J. Boettke, "The Soviet Experiment with Pure Communism," *Critical Review* 2, no. 4 (Fall 1988): 149-82, and *id.*, *The Political Economy of Soviet Socialism: The Formative Years, 1918-1928* (Boston: Kluwer, 1990).
8. See the citations in Friedman n12.
9. Anthony de Jasay, "A Stocktaking of Perversities," *Critical Review* 4, no. 4 (Fall 1990).
10. This modifies the position taken in Friedman, 391-4.
11. James A. Sadowsky, "Private Property and Collective Ownership," in Tibor Machan, ed., *The Libertarian Alternative* (Chicago: Nelson-Hall Co., 1974), 120-21, quoted in Murray N. Rothbard, *The Ethics of Liberty* (Atlantic Highlands, N.J.: Humanities Press, 1982), 23-4.
12. Rothbard freely gives voice to the egalitarian element in "libertarianism," never questioning its sources or its implications. "The most elemental rule for any ethic," he writes obliviously, is "that it apply to every man" (Rothbard, 46). The destructive ramifications for negative libertarianism have already been discussed. What is fascinating is that Rothbard's "*libertarian*" ethic is explicitly grounded in Scholasticism (see *ibid.*, ch. 1) as "corrected" by early modern Protestantism (ch. 4), but that despite his avowed atheism, it never occurs to Rothbard to identify these sources with his *egalitarian* assumptions—which would be the first step toward questioning either the assumptions or his "libertarian" deviations from Christian, egalitarian moral teaching.

    Although less obviously so, the following rationale for public-choice constitutional political economy is just as dependent on self-defeating egalitarian assumptions:

> The critical normative presupposition on which the whole contractarian construction stands or falls is the location of value exclusively

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> in the individual human being. The individual is the unique unit of consciousness from which all evaluation begins. . . .
>
> If the individual is presupposed to be the only source of value, a question arises concerning identification. Which individuals are to be considered sources of value? There is no apparent means of discrimination among persons in the relevant community, and there would seem to be no logical reason to seek to establish such discrimination if it were possible. Consistency requires that all persons be treated as moral equivalents, as individuals equally capable of expressing evaluations among relevant options. (Geoffrey Brennan and James M. Buchanan, *The Reason of Rules: Constitutional Political Economy* [Cambridge: Cambridge University Press, 1985], 21–2.)

This is an accurate reflection of the way Christian egalitarian individualism has been secularized into a "value-free," "neutral," even "scientific" form in modern thought. Setting aside the criterion of individuals' ability to "express evaluations among relevant options" (which assumes what is at issue—the privileged status of individual choice), the only reason given for the individualism of the contractarian perspective is a putatively value-neutral egalitarianism. No values are invoked, apparently; one merely demands a rationale for any proposed distinction among people. But there are all sorts of distinctions for which rationales are available: to name only a few, political competence, wisdom, military prowess, nurturing capacities, or for that matter, race, sex or class. What supposedly makes unbearable the burden of proof borne by the rationales for such criteria is the conviction that *none of them should be relevant in moral or political matters*; but why not? The only conceivable reason is some kind of doctrine of equal respect—i.e., some *abandonment of value neutrality* as the source of contractrarian egalitarianism. Once this latter move has been made, the contractarian is caught in the dilemma of sanctioning the right of contract by means of egalitarian values that he or she then wishes to grant individuals the power to *violate* by the terms of the contract they select.

13. Leszek Kolakowski, *Main Currents of Marxism*, vol. 1, *The Founders* (New York: Oxford University Press, 1978), 1.
14. G.W.F. Hegel, *Hegel's Philosophy of Right*, trans. T.M. Knox (New York: Oxford University Press, 1952), para. 149.
15. *Ibid.*, para. 230. The roots of Hegel's commitment to negative liberty emerge in Laurence Dickey's monumental interpretation of Hegel's theological background, *Hegel: Religion, Economics, and the Politics of Spirit, 1770-1807* (Cambridge: Cambridge University Press, 1987).
16. Karl R. Popper, *The Open Society and Its Enemies*, vol. 2, *The High Tide of Prophecy: Hegel, Marx, and the Aftermath*, 5th ed. (Princeton: Princeton University Press, 1966), 35.
17. *Ibid.*, 34.

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18. Of particular merit is Walter Kaufmann, "The Hegel Myth and Its Method," *id., From Shakespeare to Existentialism* (Princeton: Princeton University Press, 1980).
19. On Popper's charge that Hegel was "the first official philosopher of Prussianism" (Popper, 29), which completely reverses the substance of Hegel's lifelong political commitments, see Shlomo Avineri, *Hegel's Theory of the Modern State* (Cambridge: Cambridge University Press, 1972), *passim*.

    Popper's polemic against Hegel is, to be kind, utterly inaccurate. He evinces no sympathetic effort to understand Hegel on his own terms, admitting, in fact, that he is less interested in explaining Hegel's influence—a goal that might have led him to consider the possibility that it was deserved—than in "combat[ting] it" (30), as part of an ahistorical campaign against what he took to be the roots of fascism. This constitutes a failure on Popper's part to live up to the spirit of his own philosophy, which calls for testing one's own conjectures by challenging them as rigorously as possible. That procedure, ironically, shares a great deal with Hegel's dialectical approach, in which one's objective is to find the truth by searching for validity even in those ideas with which one disagrees. For a brief moment Popper obliquely recognizes this similarity (39), and only manages to avoid admitting that the Hegelian dialectic is worthwhile by misrepresenting it to mean that "if contradictions are unavoidable and undesirable, there is no need to eliminate them" (*ibid.*). In reality, Hegel was every bit as interested in progress toward the truth by means of the transcendence of contradictions as Popper was; his conviction that the means to this end lies in trying to understand the logic on each side of a contradiction is but a profound version of the open-mindedness that animates Popper's own philosophy.

    As deplorable as Popper's treatment of Hegel is, his book was one of the few sources of intellectual nourishment available to early postwar neoliberals, resulting in the tenacious hold of anti-Hegelianism on many contemporary opponents of the welfare state. Immense intellectual worlds—phenomenology, postmodernism, poststructuralism, and the non-economic aspects of Marxism—have been closed off from exploration on the part of neoliberals by Popper's vicious attack on the source of these influential movements, Hegel.

    Consequently, much of the intellectual history of the nineteenth and twentieth centuries has been terra incognita for neoliberalism; even worse, an anti-intellectualism grounded in ad hominem attacks on the motives or political affiliations of the greatest thinkers of the period has grown up in order to justify this ignorance, rendering many contemporary classical liberals uninterested in understanding or benefitting from, let alone intelligently criticizing, most of the intellectual life around them.
20. Hegel, addition to para. 282.
21. *Ibid.*, para. 260.

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22. It is here that Rothbard's commitment to "a universal ethic" (Rothbard, 49), alluded to in n11 above, unravels. For his ethic is prevented by the sovereign right to private property ownership from extending anything more than a half-hearted recognition of human equality to other people.
23. Karl Marx, "Contribution to the Critique of Hegel's Philosophy of Law" (1843), *Karl Marx-Frederick Engels Collected Works,* vol. 3, *Marx and Engels: 1843-44* (Moscow: Progress Publishers, 1975), 11-15.
24. Hegel, additions to paras. 183, 184.
25. *Ibid.*, addition to para. 186.
26. Dickey, 205-6.
27. *Ibid.*, 213, 214, 218. Although these passages refer to Hegel's ideas in the years 1802-1804, they seem applicable as well to his mature political theory.
28. Steven B. Smith, *Hegel's Critique of Liberalism: Rights in Context* (Chicago: University of Chicago Press, 1989), 50.
29. Dickey, 13.
30. *Ibid.*, 14. Obviously our quotation from the Sermon on the Mount is unfair to Jesus, whose advocacy of moral perfection was in the service of spirituality. Only when the call to perfect one's conscience is interpreted as being equivalent to morality itself does it substitute the false god of conscientiousness for the goal of doing good to others. At that point, the Christian brotherhood that was an outgrowth of spiritual purity becomes a primitive form of social theory, through the implicit assumption that helping others is solely dependent upon deliberately trying to do so. Love of each equally valuable individual loses sight of its object. Spirituality is an inherently inward condition, but morality should not be. Cf. Ernst Troeltsch, *The Social Teaching of the Christian Churches,* tr. Olive Wyon, vol. 1 (London: George Allen & Unwin, 1931), 52-5.
31. I owe the "comparative" element in this formulation to Don Lavoie.
32. Joseph A. Schumpeter, *Capitalism, Socialism and Democracy,* 3rd ed. (New York: Harper and Row, 1950), 172.
33. Robert Heilbroner, *Between Capitalism and Socialism* (New York: Random House, 1970), 88-93.
34. Robert Heilbroner, "After Communism," *The New Yorker,* September 10, 1990: 91, 92. See also *id.*, "The World after Communism," *Dissent* 37, no. 4 (Fall 1990): 430.
35. E.g. Robert Kuttner, "The Dustbin of Economics," *The New Republic,* February 25, 1991, 25.

    That economic concerns are still of little weight to the left as a whole is indicated by, e.g., Donald Lazere, "Academic Marxists Are Being Falsely Accused of Guilt by Association with Totalitarian Regimes," *The Chronicle of Higher Education,* June 13, 1990; Samuel Bowles, "Events in Eastern Europe Could Revitalize Leftist Scholarship," *The Chronicle of Higher Education,* April 4, 1990; George Scialabba, "Defenders of Marxism," *Dissent*

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38, no. 2 (Spring 1991): 308-10. The authors of these articles are, of course, strictly correct in saying that 1989 did not automatically invalidate leftism or Western Marxism, but the unwillingness to be moved by any aspect of reality to critical self-examination of their worldviews is just as evident in them as it is in the case of Rothbard. Yet in neither case can one gainsay the moral fervor behind the ideological intransigence. That the Western left has not skipped a beat in advancing its agenda despite the collapse of socialism shows—contrary to its critics—that far from being mendacious or duplicitous, it is so deeply persuaded that its worldview is grounded in features of reality, rather than in self-reinforcing ideological assumptions, that it has not even occurred to it that events in one region of that reality (the part that assumes the virtues of socialism) could possibly have any bearing on other regions (the parts cataloguing the evils of capitalism and, by extension, of bourgeois culture and modernity).

36. Heilbroner, "After Communism," 96.
37. *Ibid.*, 98.
38. See e.g. Murray N. Rothbard, *Power and Market: Government and the Economy* (Menlo Park, Cal.: Institute for Humane Studies, 1970), 198n4.
39. Murray N. Rothbard, *For a New Liberty: The Libertarian Manifesto*, rev. ed. (New York: Collier, 1978), 40. Rothbard displays an amazing ability to stay away from potentially bothersome questions, such as how it "happens" that the utilitarian and the moral coincide (perhaps because his morality is derived from his economics?).
40. The thing that should most trouble the "libertarians" who want to see their views gain acceptance is that the vitality of an intellectual movement is inversely proportional to the limits it imposes in advance on the direction of inquiry. So long as "libertarian" dogma continues to smother free-market economic insights, those insights will be unable to propagate themselves in the wider world, trapped as they are in the amber of "libertarian" political correctness. No successful intellectual movement has ever developed within boundaries predetermined by a plumb line. Thus, if only for tactical reasons, "libertarians" should want to encourage an efflorescence of diverse market-oriented views. Unlike political movements (Lenin and Hitler proved the value of disciplined, hierarchical political organizations), intellectual movements must be spontaneous orders if they are to possess the vigor and complexity that will make them attractive to bright young thinkers. But for this tactic to work, it must be more than a tactic: there must be a genuine commitment to the open-minded pursuit of truth, which the ideologue can only hope will approximate what he or she views as politically correct.
41. There is a dearth of perceptive critical literature on "libertarianism," largely because it makes no sense when it is understood in the self-contradictory fashion in which its proponents present it. An example of an analysis that must resort to implausible class reductionism in order to

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explain the anomalies of "libertarianism" is Stephen Newman's essay, "The Chimeras of 'Libertarianism,'" *Dissent* 34, no. 3 (Summer 1987): 308–16. A critique of "libertarianism" that eschews Newman's socioeconomic speculation but nevertheless fails to comprehend the consequentialist core of "libertarianism" is Ian Carter, "Human Nature and the Utopianism of the New Right," *Politics* 9, no. 2 (October 1989): 3–8. These examples are chosen to exemplify the relatively small body of scholarship directed against neoliberalism as a whole, including its consequentialist variants. This is in contrast to the vast literature that appeared in response to Nozick's *Anarchy, State and Utopia* (New York: Basic Books, 1974), which generally takes for granted that "libertarianism" is as Nozick presents it: purely a moral-philosophical position. (This is also true of Newman's earlier book, *Liberalism at Wit's End: The Libertarian Revolt Against the Modern State* [Ithaca: Cornell University Press, 1984]). Even writers who are aware of the economic core of "libertarianism" tend to go astray by looking for some logic that would tie neoliberal economic proposals to "libertarian" moral doctrine or, even more hopelessly, to the various strands of the "New Right" (a term that includes not only "libertarianism" and neoliberalism in general, but such utterly incompatible movements as the religious right as well). For examples of the latter problem, see the essays by Ruth Levitas, Andrew Gamble and David Edgar in Levitas, ed., *The Ideology of the New Right* (Cambridge: Polity Press, 1986). What is lacking in all of these works is attention to the actual history of the key figures who shaped "libertarianism" and the actual logic employed by their followers.

42. "Lockean" property theory is not the same thing as *Locke's* property theory, which explicitly bars the "libertarians'" objection to any state seizure or regulation of property. See Jeffrey Friedman, "Locke as Politician," *Critical Review* 2, nos. 2–3 (Spring-Summer 1988): 64–101, esp. 91ff.
43. Ayn Rand, "Man's Rights," *id.*, *The Virtue of Selfishness: A New Concept of Egoism* (New York: New American Library, 1964), 92–100.
44. Rothbard, *The Ethics of Liberty*, 10.
45. *Ibid.*, title of part 2.
46. Rothbard asserts that this abstraction is the route to "basic truths of interpersonal relations" (29), but of course it simply predetermines the results of his inquiry in a politically correct direction.
47. Rothbard, 30, 31.
48. *Ibid.*, 33.
49. This should not be construed to mean that there is necessarily any viable alternative (non-capitalist) form of industrial economy that might, say, trade prosperity for more personally satisfying social relationships. Really existing capitalism not only provides more negative liberty for most of those who live under it than does really existing socialism, but it allows much greater scope for benevolent and non-materialistic pursuits by

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making the task of daily provisioning a minor one compared to the Hobbesian nightmare of socialist life. Still, it is important to know whether the inhabitants of any *pre-industrial* societies felt greater well-being in these respects than we do. There is, in short, a role for a consequentialist, neoliberal cultural anthropology: not the role of seeking out the nefarious origins of hierarchy and domination on which can be blamed the emergence of state, but that of bringing an understanding and appreciation of market economies to the study of the well-being of participants in modern societies as compared to participants in premodern societies.

50. Don Lavoie, "Political and Economic Illusions of Socialism," *Critical Review* 1, no. 1 (Winter 1987): 18.

51. Elliot Neaman's "German Collectivism and the Welfare State," *Critical Review* 4, no. 4 (Fall 1990), argues that German "collectivism" has sustained the various forms of state welfare provision there since the Reformation, but one has reservations. First, is it really collectivistic to believe that individuals have obligations to help each other? It is true that German conservatives have tended to express such obligations by means of collective concepts, but even then, is it fair to say that their motive was collectivist, or rather that they responded to the failure of mutual obligations between individuals, as manifested in class and sectional conflicts and in competitive capitalism, by means of organic metaphors that were really designed to make more graphic the harmony between individuals they thought had been lost? This may constitute hair-splitting, but critics of "collectivism" seem to have in mind a belief in the ontological and methodological primacy of social wholes over their parts—this is what Hayek discusses in *The Counter-Revolution of Science: Studies on the Abuse of Reason*, 2nd ed. (Indianapolis: Liberty Press, 1979)—and one wonders how important such beliefs have been in laying the moral groundwork of the welfare state, even in Germany. What Neaman does demonstrate is the German variant of statism: the belief that the state uniquely embodies moral obligations. But this notion seems to be common currency in the West, and to have roots much older than the type of "collectivism" criticized by Hayek.

In any case, it can be stated with confidence that neoliberals err by making too much of Hayek's *bête noir*, "constructivism." For no matter how important it was in the early nineteenth century, to which *The Counter-Revolution of Science* is restricted, the ambition of designing a social order that would be rational not in the positive libertarian sense of rationality-as-morality employed by Hegel and Marx, but in the engineer's or architect's sense of rationality as efficient design, is hardly of prime significance today. Especially since the the 1960s, there has been a nearly complete rejection of "scientism" in Western intellectual circles that has now gone so far as to call the very idea of objective truth into question. This tendency has been especially strong on the left; the notion that,

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in this atmosphere, "constructivism" has been an important recent source of leftist sentiment involves a gross misreading of intellectual history—although the continued dominance of positivism in economics makes this misreading understandable among such anti-positivist neoliberals as the Austrian school of economists.

In fact, what must be the most important reason for the overrating of "constructivism" is the assumption in classical liberal circles that leftists think like economists. This leads to an overestimation of the role played in contemporary leftism by economic doctrines and methodologies that could not be farther from the minds of most left intellecutals. Even in the period discussed by Hayek, the left was primarily a moral, not an economic movement, and it is indeed only by recognizing this fact that the need for consequentialist neoliberalism emerges.

52. Schumpeter, 144.
53. Ludwig von Mises, *A Critique of Interventionism* (New Rochelle, N.Y.: Arlington House, 1977).
54. Donald C. Lavoie, "The Development of the Misesian Theory of Interventionism," Israel M. Kirzner, ed., *Method, Process and Austrian Economics: Essays in Honor of Ludwig von Mises* (Lexington, Mass.: Lexington Books, 1982), 169–83.
55. For an argument that central banking is akin to central planning see Steven Horwitz, "Keynes's Special Theory," *Critical Review* 3, nos. 3–4 (Summer-Fall 1989): 411–35.
56. Peter J. Boettke has suggested to me that this larger issue is "the knowledge problem" (cf. Horwitz), but this surely needs to be developed with great care if it is not to be a mere ideological blanket thrown over all possible interventions on the grounds of our complete ignorance—a form of argument which always makes for immediate self-refutation.
57. Ludwig von Mises, *Bureaucracy* (New Haven: Yale University Press, 1944).
58. Kuttner, 24.
59. Dickey, 198.
60. See David L. Prychitko, "The Welfare State: What Is Left?," *Critical Review* 4, no. 4 (Fall 1990).
61. Geoffrey Brennan and James M. Buchanan, *The Reason of Rules: Constitutional Political Economy* (Cambridge: Cambridge University Press, 1985), 66, 37.
62. Schumpeter, 258, 258–9, 261, 262, 263. Note that the example of the cigarette complicates matters considerably for the neoliberal, however. For despite the well-known health effects of smoking, the fact is that a combination of physical pleasure and, presumably, cultural (advertising) inducements has led hundreds of millions to continue to smoke, contrary to the thrust of Schumpeter's argument. The neoliberal must therefore show that the Schumpeterian irrationalities of the political arena are

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greater than the quite considerable irrationalities of civil society. He or she must, to do so, enter into a robust dialogue with the usually leftist critics of popular commercial culture and must be willing to compare the well-being engendered by commercialized with that engendered by politicized culture.

63. To the extent that it does *not* downplay the role of ideology, public choice appears to become tautologous and therefore unhelpful. One might claim positivistically that regardless of its realism, the strong self-interest hypothesis is useful in generating accurate statistical predictions of political behavior. But not only does Hayek's argument against the very possibility of truly behavioristic approaches to understanding human beings seem apposite (F.A. Hayek, "The Facts of the Social Sciences," *id., Individualism and Economic Order* [Chicago: University of Chicago Press, 1948]); such a hypothetical positivism would also be seemingly unable to generate any suggestions for reform. When public choice moves from "predictive" political science to normative "constitutional political economy," by this analysis, it must illegitimately confer a degree of realism on its exclusive self-interest hypothesis that even a cursory look at the historical evidence about political motivation would invalidate. Such evidence suggests that self-interest and ideology are both important, and that cooperation between them may account for statistical results the public choice political scientist may be able to attribute to an exaggerated self-interest model. But when the constitutional political economist urges the adoption of checks on self-interest alone, removing the need of the ideologue to coalesce with self-interested parties, such reforms could set ideology free to do more harm than was done by the unreformed system. Were Jesse Helms or Jesse Jackson (depending on your politics) freed by public choice-inspired reforms from the restraining influence of his porkbarreling constituents (and peers), the lack of realism in the strong public choice model might prove to be far more than an academic issue.

    We may combine these two criticisms by saying that no matter how putatively positivistic, if, as Hayek would lead us to suspect, public choice theorists actually believe in the realism, not just the predictive value, of their models, there ought to be a greater role for empirical (but not just statistical) testing of that realism by way of the investigation of the actual motives of political actors, in order to establish the limits of public choice. In short, public choice should be treated as a *hypothesis* testable by traditional historical investigation of the motives of political agents. But perhaps this is what public choice is already meant to be.

64. As Schumpeter, ironically, attempts in note 3 to pp. 285-6.

65. Changing the course of policy, by significantly slowing the growth of government, is not necessarily the same thing as reversing it.

66. David T. Beito, "Mutual Aid for Social Welfare: The Case of American Fraternal Societies," *Critical Review* 4, no. 4 (Fall 1990).

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67. This is only in a trivial sense the same as the (neo-Schumpeterian) public-choice argument that voters are "rationally ignorant," i.e., that "even if an individual chooses to vote, it will rarely be in his economic interest to devote any significant quota of his resources to garnering the information that would make his ballot well informed." (Geoffrey Brennan and Loren E. Lomasky, "Introduction," *id.*, eds., *Politics and Process: New Essays in Democratic Thought* [Cambridge: Cambridge University Press, 1989], 9.) For even those people who do "irrationally" devote the resources necessary to being well informed—reading newspapers and opinion magazines, watching public television, taking political science courses, etc.—tend to be ignorant of basic economics. For that matter, even Nobel laureate economists might be considered (by those with whom they disagree) to have failed to invest enough in being well informed about economics. Whenever there is significant division in a polity over what constitutes or facilitates the common good, members of each of the contending factions will have warrant to believe that a political system that would enact an opposing view is, by virtue of that fact, irrational. So unless "rational ignorance" means unwillingness to devote sufficient resources to one's education to enable one to reach the *right* economic conclusions, the neoliberal insight in question cannot be considered an instance of the rational ignorance argument.
68. Schumpeter, 144.
69. Ludwig von Mises, *Human Action: A Treatise on Economics,* 3rd rev. ed. (New Haven: Yale University Press, 1963), 864.
70. Norman P. Barry, "The Philosophy of the Welfare State," *Critical Review* 4, no. 4 (Fall 1990).
71. Charles Murray's *In Pursuit: Of Happiness and Good Government* (New York: Basic Books, 1988) is an exemplary starting point, not marred by the conservative tendency to extol traditional social structures for their own sake rather than because of rational evaluations of their role in enabling human happiness. In light of Murray's analysis, Lars Trägårdh's reassurances about the satisfaction of Swedes with the destruction of the family by their welfare state (*id.*, "Swedish Model or Swedish Culture?," *Critical Review* 4, no. 4 [Fall 1990]) are not very reassuring. How, after all, could Swedes raised in an anomic, professionalized culture judge the effects of these characteristics without any point of reference? One need not feel oneself to be unhappy to be, in fact, less happy than one would be in another society. Attempting such comparisons is one task of the neoliberal-influenced sociologist or cultural anthropologist.
72. Hegel, paras. 316, 317, 318.
73. The frequency of public goods problems will be considered in future issues of this journal.
74. Geoffrey Brennan and Loren E. Lomasky suggest an ingenious answer to this question in the course of making a different argument against the

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democratic welfare state. They point to the fact that it is completely unreasonable to think that one's vote will count in a large democratic election, and argue that the reason people vote anyway is that voting allows them to support what they consider to be worthy causes, such as helping the poor, *in a costless manner*. The voting curtain, then, serves the same function as Rawls's veil of ignorance: by separating the cost of the policy endorsed from the action of endorsing it, voting allows voters to express their objective opinions about justice without regard to their particular situation (in this case, their situation as those who will foot the bill). So the fact that the middle class votes for income redistribution does not necessarily mean that it would be willing to redistribute its income in the form of costly charity.

Brennan and Lomasky's intention is to condemn the welfare state for delivering *more* welfare than the electorate prefers, but this only constitutes a condemnation if one accepts the negative-libertarian assumption that what is morally important is the fulfillment of people's preferences. It is therefore a "libertarian" argument against the welfare state, but also an argument against the "paradox of the democratic welfare state" that, according to the text, leads to the neoliberal cultural critique. For Brennan and Lomasky's argument suggests, just as democratic statism assumes, that democratic government does indeed have powers unavailable to civil society. (Brennan and Lomasky, "Large Numbers, Small Costs: The Uneasy Foundations of Democratic Rule," Brennan and Lomasky, 42–59.)

On closer examination, however, their argument dissolves. Not only is it empirically dubious to contend that voters view their votes disinterestedly—why, then, do they ever vote against tax increases?—but the logic is internally inconsistent. If voters indeed see their votes as costless, then they are aware that their votes don't count. But in that case, why do they vote? Brennan and Lomasky's answer is that they vote to relieve their guilt over not helping the poor (52); but voters' guilt would not be assuaged by voting to help the poor if they did not think their votes count. If, on the other hand, voting does indeed assuage their guilt, then they must think their votes count. But in that case, they cannot view their votes as being costless, and the paradox of the democratic welfare state is restored: those who would, in a welfare state, vote for welfare would, in a neoliberal state in which this were not possible, seek to achieve the goals of the welfare state in other ways, such as charitable work.

In reality, the fact that people vote indicates either that they are deluded about their votes' effectiveness or that they accept the pseudo-Kantian argument that voting is incumbent on all, "since if everybody decided not to vote," terrible consequences would follow. But in either case, we can expect charitable contributions to replace votes for poverty programs: surely giving to charity will appear much more effective than voting for

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welfare; surely the consequences of "everybody" failing to help the poor directly will be more compelling than those of everybody failing to vote for programs to help the poor that, notoriously, fail to do so.

75. There are yet other unexplored dimensions of the question. For it does seem much easier for the democratic state to commit tens of billions of dollars to something than for even the best-organized private effort to raise tens of millions. Rather than accepting a mystificatory attitude that does not seek to account for this difference, we need to analyze it. Perhaps the ultimate explanation is our culture's immense investment in propagating the statist myth itself. The enormous resources devoted to teaching children and reminding adults that government is responsible for solving social ills might, if redirected toward teaching truly social (rather than state) responsibility, reverse the public-private imbalance. Even more crucially, the automatic assumption of the public spirited that they should devote their talents to lobbying for government social programs rather than to creating private ones should be investigated. On the transformation of empathetic attitudes that led to direct and effective help for the poor into the support of bureaucratic programs of "social justice," see Marvin Olasky, "Beyond the Stingy Welfare State: What We Can Learn from the Compassion of the Nineteenth Century," *Policy Review* no. 54 (Fall 1990): 2–14.
76. Michael Walzer, "The Idea of Civil Society: A Path to Social Reconstruction," *Dissent* 38, no. 2 (Spring 1991): 302, emph. added.
77. Smith, 139–40. That Hegel's audience was also receiving a "moral education" from the German universities, leading to their moral qualification to serve in the state, has been suggested to me by Paul Rosenberg.
78. Brennan and Buchanan, 48.
79. *Ibid.*, title of ch. 3.
80. Certain key historical myths do play an important role in buttressing statism. In the United States, at least, these are the myths that the immiseration of workers by capitalists during the Industrial Revolution, the rapacious monopolies of the Gilded Age, and the collapse of "capitalism" during the Great Depression were market failures that were corrected by intervention. There is a small but potent body of neoliberal scholarship that challenges these myths, including F.A. Hayek, ed., *Capitalism and the Historians* (Chicago: University of Chicago Press, 1954); R. M. Hartwell, et al., *The Long Debate on Poverty: Eight Essays on Industrialisation and "The Condition of England,"* 2nd ed. (London: Institute for Economic Affairs, 1974); Dominick T. Armentano, *Antitrust and Monopoly*, 2nd ed. (New York: Holmes & Meyer, 1990); Murray N. Rothbard, *America's Great Depression*, 3rd ed. (Kansas City: Sheed & Ward, 1975); Benjamin M. Anderson, *A Financial and Economic History of the United States, 1914–1946* (Indianapolis: Liberty Press, 1979 [1949]); Milton Friedman and Anna

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J. Schwartz, *A Monetary History of the United States, 1867–1960* (Princeton: Princeton University Press, 1963).

But the acceptance of these myths is not just a matter of historiography. The cultural question, if one accepts the neoliberal challenges to the myths, is why they were so widely embraced by contemporaries of the events in question. As they have been passed down to us, the myths are scholarly recapitulations of contemporaneous perceptions of "dark, satanic mills" and the like. The stock of such myths will keep growing (the myth of the Reagan Era of Greed has already been lodged just as firmly in the American collective consciousness as the others and will only grow larger as it is linked to the S & L and banking crises), no matter how patiently historians dismantle them, as long as the culture is driven to interpret itself not only in the light of its mythical past, but through the eyes of its ongoing moralistic perspective.

81. One should emphasize that a consequentialist analysis of the well-being afforded by various social systems need not be confined to economic prosperity, but should also investigate the effects of participation in a capitalist economy and a statist, moralistic culture in terms, for example, of the feelings of efficacy, independence and community thereby generated, by means of compartive historical, anthropological, sociological, cultural and psychological studies.

APPENDIX I. NOTES ON ROTHBARD'S TAXONOMY OF INTERVENTIONISM

Rothbard undertook to improve on Mises by providing a taxonomy of interventionism in his 1970 book, *Power and Market*, but it is severely infected by Rothbard's normative presuppositions.

Rothbard sets forth a threefold categorization in which "autistic" intervention denotes state interference with an individual's non-exchange relationships; "binary" intervention means compulsory exchanges between individuals and the state (i.e., taxation and conscription); and "triangular" intervention denotes state interference in exchanges between individuals. There may well be some analytic power in this trichotomy, but in Rothbard's hands it is primarily a moral rather than an economic tool. Indeed, he condemns all three types of intervention on the grounds that "coercive intervention . . . signifies per se that the individual or individuals coerced would not have done what they are now doing were it not for the intervention. . . . [Therefore,] any intervention, whether it be autistic, binary, or triangular, causes the subjects to lose in utility" (Rothbard, *Power and Market*, 11). This is both tautological and empty of economic content. It means no more than what is already obvious: that government action changes the status quo. If people's utility is equated with the status quo (the market order at any moment), then it

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is a matter of simple logic that an exogenously induced change in the status quo will diminish people's utility. But what is at issue is precisely what Rothbard takes for granted: that the market reflects utility perfectly. Challenging this assumption can mean either questioning the notion that people's "tastes and preferences" adequately reflect their desires; or, more significantly, it can mean proposing that people's well-being requires maximizing more important things than their desires. Both sides to this argument are normative: what is at issue is whether people's desires *should* necessarily be fulfilled.

On p. 12 comes an even more question-begging general argument against intervention. Both parties to market exchange benefit, Rothbard asserts tautologically; "On the market, therefore, there can be no such thing as exploitation. . . . On the market all is harmony." This merely assumes away the question of the justice of the property holdings that parties to market transactions exchange. If these holdings are unjust, then the market is no more unexploitative and harmonious than is the mutually beneficial trading of stolen goods between thieves.

If we accept Mises's dictum that the economist as such is indifferent to the desirability of the goals pursued by an economic policy, it is clear why his or her only role should be to investigate whether the goals would in fact be achieved by the means proposed. This implies that the economist should look into the "invisible," unanticipated and unintended consequences of intervention. But no unintended consequences of intervention are being elucidated by Rothbard's all-purpose arguments against intervention; he is simply cloaking the moral claim that the *intended* consequences are undesirable in the economistic garb of utility functions.

Rothbard's general arguments against intervention apply equally to all three forms of it, and they reappear continually throughout the parts of the book that are supposed to be concerned with the indirect effects of both "binary" and "triangular" intervention (cf. *ibid.*, 27, 65, 66, 74). So one wonders why Rothbard even bothers with the trichotomy. The answer seems to be that it allows him to try to extend to taxation and paternalism the traditional economic arguments made against "triangular" intervention, thereby accomplishing his "libertarian" political agenda (cf. *ibid.*, 10).

When it comes to extending the properly economic arguments against "triangular" intervention to the realm of taxation (he leaves out a detailed discussion of "autistic" or paternalistic intervention because it does not involve economic exchanges), Rothbard comes up with the interesting hypothesis that taxation will increase economic inefficiency by diverting energies to rent-seeking and resources to those who are adept at political manipulation (*ibid.*, 127). The extent of these effects are, however, highly debatable, and hardly provide an overwhelming presumption against taxation.

There are many excellent arguments against particular varieties of intervention in *Power and Market*, as in most of Rothbard's writings. The problem is that they are—like all non-consequentialist "libertarianism"—organically

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intertwined with indefensible moral assumptions. It is possible that the binary/triangular dichotomy could be of use in developing a consequentialist taxonomy of interventionism, but it would take a great deal of patient analysis to conduct the critical reconstruction of *Power and Market* that would determine whether this is the case. The object of the analysis would be to see whether, underneath the "libertarian" normative polemics, there are, or could be, commonalities among the unintended side-effects of those two types of interventionism, commonalities which encompass enough of the objections economists can make against the multitude of particular instances contained in the categories that the commonalities would, themselves, constitute objections of a much higher order of generality.

APPENDIX II. HIRSCHMAN ON THE RHETORIC OF REACTION

Albert O. Hirschman's recent book, *The Rhetoric of Reaction* (Cambridge, Mass.: Harvard University Press, 1991), is an indispensable aid to the consequentialist neoliberal who is engaged in the task of purging dogmatism from his or her thinking. Especially germane for neoliberals is Hirschman's analysis of "the perversity thesis," which finds an obvious echo in the title of Anthony de Jasay's contribution to the present issue of CRITICAL REVIEW. The perversity thesis is the claim that efforts at social improvement will unanticipatedly result in the opposite of their intended effects. Like the other "reactionary" doctrines Hirschman surveys—the "futility thesis," which (*à la* the Italian elite theorists) holds that social reality is too structurally intractable to be reformed, and the "jeopardy thesis," which (*à la* Hayek's *The Road to Serfdom*) holds that reforms do more harm than good by jeopardizing earlier reforms—the perversity thesis is, in its contemporary manifestation, a generalization encompassing many of the consequentialist arguments against the welfare state (including virtually all of those made in the present essay and the present issue of this journal).

Hirschman's trenchant delineation of the frequency and exaggeration with which the perversity thesis is invoked should help inoculate neoliberals against ideological excess. Particularly important is his question about the likes of neoliberals: "Could they be embracing the perverse effect [thesis] for the express purpose of feeling good about themselves? Are they not being unduly arrogant when they are portraying ordinary humans as groping in the dark, while in contrast they themselves are made to look so remarkably perspicacious?" (Hirschman 36).

Unfortunately, Hirschman's argument lends itself to an equally excessive interpretation. Intellectual history of the origins of the perversity thesis cannot substitute for a case-by-case evaluation of its validity in the particular instances in which it is invoked, any more than a sociological history of the origin of a class of scientific claims, after the fashion of Robert Merton, can

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substitute for an evaluation of the validity of one of those claims in a given instance.

The notion that it can be is encouraged whenever Hirschman's criticism of the use of one of the "reactionary" theses seems to rest in any part on the presence of the thesis itself, rather than on exogenous assessments of its validity in the specific case. Thus, despite Hirschman's assurance that "it is not my purpose here to discuss the substance of the various arguments against social welfare policies in the United States and elsewhere" (*ibid.*, 35), that is exactly what he should do in order to make good his assertion that "the perverse effect . . . is unlikely to exist 'out there' to anything like the extent it is claimed" (*ibid.*). But having disavowed his intention to discuss the relevant arguments systematically, he is satisfied with suggestive rejoinders to them that do not carefully engage the contemporary proponents of the perversity thesis. And, merely pointing out that sometimes social action has unintended but *beneficial* effects (*ibid.*, 39), or that in some cases the anticipated beneficial effects of social programs *are* achieved, however partially (*ibid.*, 40–41), is inadequate to justify Hirschman's conclusion that "purposive social action" only "*occasionally*" has perverse effects (*ibid.*, 38, emph. added).

Hirschman makes the charge of "sophistry" against anyone who accepts both the argument that welfare states have perverse incentive effects upon the poor and the argument that welfare states transfer resources not to the poor, but to the middle class (*ibid.*, 62). Since the latter is an instance of the futility thesis—which holds, in contradistinction to the perversity thesis, that social reality, rather than being perversely fluid, is stubbornly unchangeable—he concludes that one cannot legitimately make the two arguments simultaneously. But this is only true of those who hold them to *exhaustively* describe *all* social phenomena simultaneously. Otherwise, there is no necessary incompatibility between them at all. One may, and in fact one almost certainly should, hold that (1) to a great but not an absolute extent, the welfare state transfers resources to the middle class; (2) to the extent that it transfers resources to the poor, it may well create perverse incentives for them; and, moreover, (3) it may similarly create perverse incentives for the middle class when the latter is the recipient of its largess.

Hirschman's failure to allow for such a solution to the dilemma parallels his delight in compiling *ad nauseam* lists of formally similar reactions against various historical social reforms, as if, if one "reactionary" argument is not borne out by experience, then, merely by virtue of their parallel rhetorical structure, neither can any (or most) other arguments of the same type be valid. This is no more reasonable than it would be to find several examples of "reform" gone awry and then to generalize from these cases that no reform justified on similar grounds (e.g., the need to help the unfortunate or to redress market failure) could ever work. Indeed, this is precisely the sort of unwarranted generalizing Hirschman is, in effect, complaining about in the thought of "reactionaries."

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If it is acceptable to discredit an argument against reform on the grounds of its participation in a tradition of reactionary rhetoric, one could easily return the favor *solely* by undertaking an intellectual history of faith in "social," i.e. government, action held by the critic of reactionary rhetoric—for instance, by using the hypotheses about "statism" developed in Section 4 above. In this way Hirschman's attack on the "perversity theorist's" penchant for damning interventionists with faint praise for their "well-meaning" but counterproductive intentions (*ibid.*, 76) is countered by accusing Hirschman of that very vice. One can imagine an ever-lengthening series of moves and countermoves in which, as in a debate between, say, a vulgar Marxist and a vulgar public choice theorist, each side practices reductionism upon the other's views while seeking to preempt the retaliatory reductionism sure to follow, with nobody accomplishing anything in the process but to sustain their own faith in the faults of the other side. Since it is precisely this situation of non-communication between left and right that Hirschman set out to circumvent (*ibid.*, ix-xi), something must have gone wrong.

The problem lies in Hirschman's attribution of the dogmatism of (some) reactionaries to the imperatives of their arguments rather than to an unselective and credulous deployment of them. This could be interpreted as condemning particular arguments about the perversity, futility or jeopardy of *any* progressive measure as being *mere* manifestations of reactionary rhetoric. Hirschman admits that "there are dangers and risks in both action and inaction" (*ibid.*, 153), but we are left to wonder whether his less scholarly readers will conclude that they can safely ignore any anti-reform argument that uses one of the reactionary theses. If they should not do so, then is the book intended to have *any* impact on our assessment of the validity of any given conservative argument? If it is, then limiting that impact is problematic because of the wide scope of Hirschman's analysis.

The nearly universal applicability of his theses to opposition to any reform accounts for the extraordinary inclusiveness of the list of those who stand accused of using reactionary rhetoric. Not only Maistre and Bonald, Müller and Burke, Mandeville and Defoe, Maine, Spencer and Lecky, Pareto, Mosca and Michels, the fascists, Le Bon, Röpke, Macaulay and Hayek, Samuel Huntington, Nathan Glazer and, presumably, any neoconservative, James Buchanan, Gordon Tullock, Milton Friedman, George Stigler, Sam Peltzman, Martin Feldstein, Charles Murray and, presumably, any free-marketeer, are shown to be conservative thinkers; so, too, are Tocqueville and Burckhardt, Flaubert and Ibsen, Schiller and Scheler, Habermas and the Marxist theorists of capitalist legitimation crises, and possibly Smith, Constant, Furet and Lenin. Indeed, one may say in complete confidence that Hirschman would be unable to keep almost *any* opponent of *any* reform *ever* proposed off his list, because with the three exceptions noted below, every such opponent would *logically* have to rely either on the claim that the reform would not work (perversity, futility) or that it would do more harm than good (jeopardy).

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Indeed, why else would one ever oppose any course of action whatever? Hirschman sometimes writes as if the endless recurrence of his three theses shows them to be little more than rhetorical conceits, but another view is that it shows them to express the doubts any rational person must feel before doing anything at all.

The first exception is that one may argue, in addition to the three theses Hirschman names, that there is no need for a change in the first place. One suspects that if Hirschman had included this fourth thesis ("superfluity"), he might have concluded that he was enumerating not just the rhetoric of reaction but that of prudence.

On the other hand, considered as *logic* rather than *rhetoric*, the superfluity thesis collapses into the jeopardy thesis, since as long as there is any dispute about the need for reform, one will be wise to take action *unless* there is some danger that it will make matters worse. One might imagine that allowing such logical analysis to blur Hirschman's rhetorical categories would be another way he could have emphasized that his analysis has no normative implications, but toward the end of the book we find that he has performed just such an analysis on the three theses without being deterred. Thus, he acknowledges that the three categories "are in effect more exhaustive than meets the eye," because "when a public policy or 'reform' is undertaken and then runs into problems or is viewed as a failure by some critics, this negative appraisal *can in fact* be attributed to *only* two basic reasons," to wit, that the reform failed to work or that its costs outweighed its benefits (*ibid.*, 136, emph. added). Rather than pointing out that this implies that his argument is normatively trivial, he expresses pride in how widely applicable it proves to be.

Similarly with another "absence" from his list of theses: the claim that a reform will jeopardize not previous reforms, but other goods that are not reforms. Inclusion of this thesis ("counterproductivity") might have underscored the logical rather than rhetorical nature of the reactionary arguments he identifies.

The final exception is an argument of an entirely different sort, and is therefore one that we cannot fault Hirschman for excluding. This is the deontological argument ("evil"): the proposed reform is bad in and of itself. One mentions it because if we were to accept a normative reading of Hirschman's argument and eschew what he identifies as reactionary rhetoric, outright moralistic (non-consequentialist) condemnation would be the only remaining way to oppose a reform. This would not move us "beyond intransigence" (title of ch. 7).

But we should *not* accept this interpretation of the book. One's normative evaluation of reactionary rhetoric is quite separable from Hirschman's classification and historicization of the three theses as unit-ideas, a scientific effort along the lines of his magisterial *The Passions and the Interests* (Princeton: Princeton University Press, 1977), which traced the development of modern thinking about commercial society. Just as there is nothing in the earlier book's

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identification of the "*doux commerce* thesis" which makes it *necessarily* true that commerce does *not* exercise a civilizing influence, there is nothing in Hirschman's description of the genesis of the perversity thesis that rules out its validity in a given instance. *What counts is the rationale for the perversity argument in a particular case*—as Hirschman emphasizes, immediately after the above-quoted admission that some reforms may backfire: "The risks of both [action and inaction] should be canvassed, assessed, and guarded against to the extent possible" (*Rhetoric*, 153). One might only add that identifying the rhetorical category that encompasses one's assessment of the risks adds very little, if anything, to the assessment process. *All* that matters in assessing the arguments of a Glazer or a Murray is the evidence that can be brought to bear for and against them, regardless of the discredited but formally similar arguments one can list.

In the context of the present essay, Hirschman contributes an injunction that neoliberals should be *careful* in their appropriation of the perversity thesis, resisting the temptation to accept some globalized version of it (e.g., "the knowledge problem"—see n56 above) as a substitute, in effect, for the moralistic "libertarianism" that simplifies all questions in order to make them point toward a predetermined answer. But by the same token, we cannot discard any specific invocation of the perversity thesis merely on the ground that Hirschman has identified it as partaking of a recurrent "reactionary" trope whose *dogmatic* acceptance he rightly ridicules. To do so would be just as dogmatic—and, intellectually speaking, just as reactionary.

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David T. Beito

MUTUAL AID FOR SOCIAL WELFARE: THE CASE OF AMERICAN FRATERNAL SOCIETIES

With the possible exception of churches, fraternal societies were the leading providers of social welfare in the United States before the Great Depression. Their membership reached an estimated 30 percent of the adult male population and they were especially strong among immigrants and African Americans. Unlike the adversarial relationships engendered by governmental welfare programs and private charity, fraternal social welfare rested on a foundation of reciprocity between donor and recipient. By the 1920s, fraternal societies and other mutual aid institutions had entered a period of decline from which they never recovered. The many possible reasons for this decline included the rise of the welfare state, restrictive state insurance regulation, and competition from private insurers.

The year 1971 marked a sea-change in welfare history with the publication of *Regulating the Poor: The Functions of Public Welfare*. In that book two young Marxist scholars, Frances Fox Piven and Richard Cloward, advanced the provocative thesis that throughout American history, busi-

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ness and political elites have used welfare programs to keep the poor quiescent. They charged that welfare had been employed to prevent social protest by the poor by means of a complex structure of measures ranging from bribes to behavior regulation. For all its faults, Piven and Cloward's "social control" thesis had one undeniable virtue. It posed a long overdue challenge to the comfortable consensus of New Deal/Great Society historians, who never tired of stressing the humanitarian and altruistic underpinnings of the welfare state.[1]

Yet by the early 1980s, the once-contending schools of welfare history had merged into a new orthodoxy. The criticism of welfare advanced by such politicians as Ronald Reagan and such social scientists as Michael Novak and Charles Murray now stimulated both liberal and Marxist historians (Piven and Cloward included) to circle the wagons and defend the welfare state from attack. Members of the new consensus agreed that while the welfare state may have had its vices (including, now, not only doses of social control but also, paradoxically, low funding), it was better than no state involvement at all. "We believe," wrote Piven and Cloward in 1982, "that *Regulating the Poor* represents a better characterization of the past than a prediction of the future."[2]

The Revisionists Revise

Michael Katz's influential survey of welfare history, *In the Shadow of the Poor House* (1985), is one example of the new social welfare consensus. Much like Piven and Cloward, Katz had made his mark during the 1960s and 1970s by overturning sacred idols of the "positive state." His widely cited revisionist study, *The Irony of Early School Reform* (1968), represented the history-of-education analogue to *Regulating the Poor*. Katz characterized key educational reform initiatives during the nineteenth century, such as the public high school, as elite-sponsored ploys to use state power against the lower classes.[3]

But, like Piven and Cloward, Katz's latest endeavors have shifted toward proclaiming the virtues, rather than the vices, of the interventionist state in American history. Overall, he praises the contemporary welfare state as a progressive development worth defending. His major criticisms are that it offers inadequate protection to the poor and relies too heavily on behavioral restrictions and means tests. Katz's approach to the social control question is indicative of a new, and quite revealing, trend among welfare historians. He applies the terminology of social control almost exclusively to the nineteenth-century poorhouse and corporate controlled private charities: evils reviled by welfare historians one and all. "Alarmed by the disorder of American cities in the last third of the nineteenth

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century," Katz writes, "frightened by the spectre of a militant, organized, and undeferential working class, the charity organizers responded as harshly as employers and governments confronted with similar problems." By comparison, when Katz turns to the post-Depression welfare state, he downplays the social control model. Piven and Cloward of late have taken a similar approach not only to the welfare state but to private charity. They draw a dichotomy between the current welfare state, which, in their view, has made society a "little more humane through the protection of the elderly, the disabled, the young, and the very poor," and pre-welfare state private and governmental relief, which they disparage as harsh, punitive, and manipulative.[4]

Welfare historians do not confine their ongoing critique of elite-directed private charity to its alleged social control attributes. To Katz, for example, the historical record of private charity has far more profound implications. For him, it seals the case against "voluntarism" as a means to cope with social welfare needs throughout American history—past, present or future. He declares that "voluntarism never was and never will be an adequate answer to the problem of dependence. By contrast, despite all its flaws, government has been, and can be again a great source of social progress in America."

Katz vitiates his thesis, however, by an overly narrow conception of what voluntarism actually entailed before the Great Depression. He barely mentions the vast social welfare role played by voluntary mutual aid institutions such as fraternal societies and churches. By contrast, he devotes a lengthy chapter to the comparatively minor exertions of elite-controlled charities.[5]

Mutual Aid Before the Welfare State

For the most part, welfare historians have shared Katz's habit of dismissing voluntarism as inadequate while slighting (or even ignoring) the critical factors of mutual aid and self help. The net effect is to create a misleading impression of what voluntary social welfare during the late nineteenth and early twentieth centuries was all about. Despite the picture communicated by welfare historians, voluntary mutual aid was truly a hallmark of the pre-Depression era. Of all the myriad examples that could be pointed to, including church, kin, and neighborhood support, the fraternal society stands out as one of the most fascinating, and most neglected, by welfare historians. Only churches rivaled fraternal societies as institutional providers of social welfare before the advent of the welfare state. In 1920, about eighteen million Americans belonged to fraternal societies, i.e. nearly 30 percent of all adults over age twenty.[6]

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Fraternal societies were controlled by their members and organized around a decentralized system of lodges at the local level. Frequently, they included a secret ritual which was a collection of expressions, ceremonies, and other practices. Most members did not believe in the "magical" qualities of the ritual. Its main functions were to serve as entertainment and to test member solidarity. The lodge (with its raffles, bake sales, celebrations, and picnics) was also a center of community life in countless urban neighborhoods and small towns. Equally important, it furnished members and their families with an extensive system of mutual aid for social welfare.[7]

While the lines are often blurred, fraternal societies can be divided into two categories: the secret society and the fraternal insurance society. The chief difference between the two was one of emphasis rather than kind. Secret societies specialized in the *social* and *informal* components of mutual aid. The largest of them included the Masons, the Elks, and the Odd Fellows. The membership of the Masons alone constituted an amazing twelve percent of the adult male white population in 1930. Labor unions, by contrast, rarely included more than ten percent of the labor force until the 1930s. Like most secret societies, the Masons eschewed written contracts or regularized guarántees of insurance for their members. "As a rule," Lynn Dumenil has written, "Masonic spokesmen were dismayed by the possibility that men joined Masonry for mercenary reasons, and they repeatedly emphasized that one of the Masonic pledges included the oath that the initiate had not been influenced by the desire for personal gain."[8]

Despite these official strictures, secret societies served as major conduits for mutual aid throughout American history. A Mason in good standing could rest assured that, if he so requested, the order would not only pay for his funeral but conduct an elaborate ceremony. If sick and in need, he could generally count on his lodge brothers to hang a collection hat on the altar or appoint a visiting committee. Masonic membership could open doors to employment and business advancement. Long-time Mason Samuel Gompers, better known as the president of the American Federation of Labor, related a particularly illustrative incident. In 1897, Gompers, while walking down the street, encountered a stranger, who also happened to be a lodge brother. After the two exchanged Masonic signs, the stranger admitted that he had been hired by a mining company to monitor the union leader. He then handed over negatives of pictures that he had taken of Gompers. Gompers recalled that he "frequently found that my affiliation to the Masonic order has been a protection to me."[9]

There was also a more visible side to the mutual aid programs of secret societies. During the late nineteenth and early twentieth centuries, many of the larger orders embarked on programs to build orphanages and old-age homes for elderly members and their spouses. Thirty-nine jurisdic-

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tions of the Masons and forty-seven of the Odd Fellows had built homes for their elderly by 1929. In 1914, the average amount spent by the Masonic homes to care for each resident was more than $1,800. Although this was an era with no Social Security, few of the homes needed to be filled to capacity.[10]

Over all, the fraternal insurance society had a more substantial social-welfare impact than the secret society. The two shared the attributes of a lodge system of organization, rituals, and the rendering of informal mutual aid. The principal difference between them was that the fraternal insurance society offered its members formal insurance policies while the secret society did not. The keystone of fraternal insurance protection was the death benefit (actually a form of life insurance) paid to the beneficiary of deceased members. It was especially prevalent among wage earners. "Rich men insure in the big companies to create an estate," observed an article in *Everybody's Magazine* from 1910, "poor men insure in the fraternal orders to create bread and meat. It is an insurance against want, the poor-house, charity and degradation."[11]

A large part of the mutual aid dispensed by fraternal insurance societies, much like that given by secret societies, was not a matter of record. Virtually all such organizations, regardless of their class or ethnic composition, repeatedly stressed the responsibility of individual members to provide aid to "brothers" and "sisters" in need. On this score, a spokesman for the Modern Woodmen of America (which called its members "neighbors" and its lodges "camps") wrote in 1934, "a few dollars given here, a small sum there to help a stricken member back on his feet or keep his protection in force during a crisis in his financial affairs; a sick Neighbor's wheat harvested, his grain hauled to market, his winter's fuel cut or a home built to replace one destroyed by a midnight fire—thus has fraternity been at work among a million members in 14,000 camps." Sociologist Peter Roberts described how fraternal societies among the coal workers of Pennsylvania at the turn of the century regularly sponsored raffles to help members who exceeded the time limit of their sick benefits.[12]

A good rule of thumb in studying these organizations is: the larger the society, the higher the death benefit. The most readily available guide to historical information (at least about the larger societies) is the records of the National Fraternal Congress (NFC), the major clearinghouse for fraternal insurance organizations. Societies affiliated with the Congress boasted over nine million members and 120,000 lodges in 1919. They paid an average death benefit of $1,100 (about $91 a month), roughly equivalent to average annual earnings for an American worker at the time.[13]

The smaller societies (many of them locally based and not members of the NFC) more often paid lower death benefits. To get a better picture of

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the average size of fraternal death-benefit policies overall, several local studies completed during the period need to be consulted. One of the best was a detailed survey of life-insurance ownership among wage-earning families in Chicago conducted in 1919 by the Illinois State Health Insurance Commission. The Commission found that 74.8 percent of the husbands carried life insurance, 58.8 percent of the wives, and 48.8 percent of the children under age 14. Just over half the policies carried by husbands were in fraternal orders. These policies averaged $768, which translates into a monthly average of over $64. Not accounted for in this figure were the many individuals who carried multiple life insurance policies in both private companies and fraternal societies.[14]

As a common feature, societies allowed elderly members to cash in the value of their insurance certificate either in a lump sum or in installments. Often, the beneficiary used the money to set up a small business. Despite this, it would be a misnomer to classify the fraternal death benefit as an old-age "pension" in the sense of a permanent retirement income. According to a study in 1930 by the New York Commission on Old-Age Security, the death benefit usually supplemented other means of support. The Commission estimated that about 43 percent of the elderly in the state were self-supporting through gainful employment, pensions, savings, or other forms of income, while family and friends supported another 50 percent (including housewives). Less than 4 percent of New York's aged depended on either public or private charity.[15]

What comparisons can be drawn between the fraternal death benefit and governmental poor relief? Probably the closest tax-funded analogue to fraternal death benefits were the mothers' pensions programs of the various states. Although restricted largely to widows, these were antecedents to the later federal Aid to Families with Dependent Children. The number of beneficiaries served (as well as the size of benefits) was a far cry from that of fraternal societies. In 1931, 93,620 families (up from 45,825 in 1921) received aid from mothers' pensions programs, with each family getting a monthly grant of about $22. On the other hand, at least nine *million* (mostly working-class) individuals carried fraternal insurance that year. To the say the least, Katz's claim that "public funds have always relieved more people than private ones" looks highly dubious.[16]

Fraternal Health and Accident Insurance

During the nineteenth century, fraternal insurance protection centered around the death benefit. This always remained true but, by the early 1900s, many fraternal societies began to institute formal health and accident insurance as well. In 1917, an estimated 45 out of 59 fraternal orders in

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California offered a sickness or accident benefit, while 140 out of 159 in Illinois did so. These figures are less impressive than they seem, however. For one thing, the implementation of sickness insurance often was left to the discretion of local lodges. Equally important, even when a sick benefit fund existed, individual members frequently decided not to subscribe. If state and local studies are any guide, probably no more than 40 percent of fraternal members subscribed to a formal sickness benefit fund by 1920. Nevertheless, the percentage covered had increased rapidly in the previous two decades.[17]

Depending on the order and the particular lodge, the size, quality, and mix of fraternal medical benefits varied greatly. The typical medical benefit was a weekly cash payment. Fraternal society members in California were eligible for sick benefits ranging between $7 and $10 a week in 1917, while the maximum eligibility period averaged thirteen weeks. Because the average duration of illness for workers (in terms of working days lost) was less than two weeks, all but a small minority of beneficiaries had aid for the full period of need. Moreover, for those whose benefits had expired (only about 10 percent of those subscribing to fraternal health insurance ever applied in one year), it was a common practice in many societies to extend the eligibility time or pass the hat.[18]

Before the Depression, fraternal societies thoroughly dominated the health insurance market (at least among the working class), while their commercial competitors lagged far behind. In large part, the secret of fraternal success lay in the peculiar competitive strengths offered by the fraternal structure itself. Unlike private companies, fraternal societies were enviably positioned to check the threat of "moral hazard," the bane of the insurance industry. For health insurance, a major moral hazard is that individuals will take advantage of their insured status and overload the system with frivolous claims. The validity of a health insurance claim is highly subjective and thus difficult to verify. Life insurance has less daunting moral hazard pitfalls because beneficiaries can collect only if they present a death certificate. This partly explains why fraternal societies continued to dominate the sickness insurance market long after they had lost their competitive edge in life insurance.[19]

The fraternal society had several weapons in its arsenal to guard against moral hazard in sickness insurance claims. First, each new applicant for membership had to present a certificate of good health from a doctor. Second, and most importantly, fraternal societies, unlike private companies, could draw on extensive reserves of member solidarity. As the Social Insurance Commission of California noted, the " 'mutual benefit' nature of the societies undoubtedly tends to counteract the tendency to malinger. Persons who might be unscrupulous in dealing with a commercial company are apt

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to be more careful when dealing with an organization whose financial condition is a matter of direct concern to themselves." The history of fraternal sickness insurance bears out economist Jennifer Roback's prediction that "moral hazard could be more effectively monitored within the group than outside it. . . .Put briefly, shirking can be more easily detected by people who share the same values and utility functions. The insurance group [or fraternal society] has a kind of social contract among themselves."[20]

By the second decade of the twentieth century, fraternal sickness benefits increasingly included treatment by a doctor. To name two examples, the Foresters of Reading, Pennsylvania provided care by a doctor (including house calls) for $1 a year while, for $2, the Fraternal Order of Eagles covered everything except obstetrics and treatment for venereal disease. "Lodge practice" established an especially strong foothold in major urban areas. In the Lower East Side of New York City, 500 doctors had contracts with Jewish lodges alone.[21]

The favored method was for societies or individual lodges to enter into contracts with doctors to treat members and their families on a per capita basis. This method bore more than a faint resemblance to a modern health maintenance organization. It appealed in particular to younger doctors eager to establish a clientele or elderly doctors seeking a part-time practice. In later years, Samuel Silverberg, a lodge doctor during this period, recalled that the "society would pay me a certain amount for coverage for a certain number of patients—fifty cents for every single member every three months, seventy-five cents or a dollar for a family. Every member had a right to come to my office and ask to me to call at his house. . . .The society member would recommend the doctor to his friends, and that way you could build up a practice. But it was hard, lots of running up and down tenement stairs."[22]

As lodge practice spread, it sparked opposition from leading doctors, who feared that it would undermine their fee-for-service prerogatives. Typically, one leading physician, H.T. Partree, who, like Silverberg, had worked for a lodge early in his career, excoriated contract practice as "undignified competition." He bitterly recalled that

> medical service was rendered to the members at the rate of $1 *per capita* per year. I found that the number and variety of ailments requiring attention was something startling. The work was extremely unpleasant and my ire was deeply aroused at the thought that any lodge . . . could be allowed for a single second to command medical service on such debasing terms.

The Shasta County Medical Society of California echoed the anti-competitive fears of the profession when it warned that lodge practice, if

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not limited in scope, would "place valuation on our services comparable to those of bootblack and peanut vendor."[23]

By the 1910s, medical societies and state commissions throughout the country went on the offensive to destroy the "lodge practice evil" or at least clip its wings. The House of Delegates of the California state medical society did its part by threatening to expel any doctor who contracted with an organization to provide care to families with monthly incomes in excess of $75. The Committee on Contract Work of the Erie County, New York medical society recommended "antagonistic measures" against the contract practitioner "if persuasion fails to convince him of his error."[24]

Mutual Aid among Immigrants, African Americans, and Women

An impressive, but largely unsung, historical accomplishment of fraternal and other mutual aid institutions was their role in the resettlement of the vast immigrant populations of the late nineteenth and early twentieth centuries. The foreign-born constituted 40 percent of the population of the twelve largest cities of the United States in 1900; an additional 20 percent were children of immigrants. Each immigrant group could turn to at least one aid society, and usually many more, to provide housing, English lessons, and information on employment.[25]

The immigrant fraternal society, a close relative of the immigrant aid society, contributed to remarkably high insurance rates among immigrant groups, including those from impoverished areas of Eastern and Southern Europe. By 1918, membership in the largest Czech organizations exceeded 150,000. A report by the Massachusetts Immigration Commission in 1914 identified two or more Greek societies in every town that had a Greek settlement. Springfield, Illinois, with a total Italian population of less than 3,000 in 1910, could claim a dozen Italian societies. Despite this rapid growth, the immigrant fraternal society had its detractors. Especially lukewarm were the Progressive reformers of the early twentieth century. Typically, Theodore Roosevelt declared that

> The American people should itself do these things for the immigrants. If we leave the immigrant to be helped by representatives of foreign governments, by foreign societies, by a press and institutions conducted in a foreign language and in the interest of foreign governments, and if we permit the immigrants to exist as alien groups, each group sundered from the rest of the citizens of the country, we shall store up for ourselves bitter trouble in the future.[26]

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The popularity of the fraternal society among African Americans rivaled, and often exceeded, that among immigrants. Excluded from the leading white orders, African Americans founded their own parallel organizations. In 1910, sociologist Howard W. Odum estimated that in the South the "total membership of the negro societies, paying and non-paying, is nearly equal to the total church membership. . . .A single town having not more than five hundred colored inhabitants not infrequently has from fifteen to twenty subordinate lodges each representing a different order." Odum characterized fraternal societies as "a vital part" of African-American "community life, often its center."[27]

The oldest, and most famous, African-American society was the Prince Hall Masonic Order. William Muraskin estimates that, during the 1920s and 1930s, the Order signed up over 30 percent of adult male African Americans in many small towns throughout the South. Local and state lodges provided a wide range of mutual aid services, including medical insurance, orphanages, employment bureaus, and homes for the aged. The membership of the Prince Hall Masons reads almost like a Who's Who of African-American history: Adam Clayton Powell, Jr., Oscar DePriest, Thurgood Marshall, Carl Stokes, Booker T. Washington, and W.E.B. Du Bois.[28]

The Masons represented just the tip of the iceberg of African-American fraternal societies. African Americans organized parallel versions of the Odd Fellows, the Elks, and the Knights of Pythias. Many other societies, such as the True Reformers, the Knights and Daughters of Tabor, and the Grand United Order of Galilean Fishermen, did not have white namesakes. In 1904, the African-American versions of the Prince Hall Masons, Knights of Pythias, and Odd Fellows had between them over 400,000 members and 8,000 lodges scattered throughout the United States. Five years earlier, W.E.B. Du Bois had estimated that at least 70 percent of the adult African Americans in the seventh ward of Philadelphia belonged either to fraternal societies or to less structured mutual benefit and petty insurance societies.[29]

Fraternal societies and other mutual aid organizations gave African Americans from all classes access to insurance. Unlike their white counterparts, African-American secret societies were more likely to offer formal life and sickness insurance as well as informal mutual aid. In 1919, the Illinois Health Insurance Commission estimated that 93.5 percent of the African-American families in Chicago had at least one member with life insurance. African Americans were the most highly insured ethnic group in the city, followed by Bohemians (88.9 percent), Poles (88.4 percent), Irish (88.5 percent), and native whites (85.2 percent). The fact that African Americans worked overwhelmingly in low-paid and unskilled occupations, such as domestic service and menial labor, render these figures even

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more noteworthy. They also represent a striking testament to the resilience of African-American families in an era of Jim Crow segregation and economic marginality.[30]

High African-American insurance rates were not exceptional to Chicago. A 1919 survey of African-American southern migrants in Philadelphia revealed that 98 percent of the families (regardless of income group) had one or more member insured, over 40 percent of them in fraternal societies. In the mining town of Homestead, Pennsylvania in 1910, 91.3 percent of the African-American families carried life insurance, slightly behind Slavs, at 93 percent, but ahead of native whites at 80 percent. Statistics of this sort so impressed Isaac Rubinow, a leading advocate of government old-age insurance, that in 1913, he singled out African Americans and immigrants as groups "where the habit of mutual insurance through voluntary association has developed to the highest degree in the United States."[31]

The fraternal lodge (despite its gender-specific connotations) was not an all-male preserve. The high participation of women in fraternal societies has not been given its due by historians. Many fraternal societies had women's auxiliaries, such as the Eastern Star for the Masons and the Rebekahs for the Odd Fellows. One of the largest of the fraternal societies managed and financed solely by women was the Ladies of the Maccabees, organized in 1926. It called its lodges "hives" and offered members services that included maternity insurance. Fraternal orders touched women's lives in other ways as well. Most fraternal homes for the aged admitted the wives of members on the same terms as their husbands. While national statistics are not available, the Pennsylvania Commission on Old Age Pensions found that women constituted 76 percent of the residents of fraternal and benevolent homes for the aged in that state. Moreover, women were the major beneficiaries of death benefits.[32]

The Adequacy of Mutual Aid

How adequate was the mutual aid protection offered by the fraternal society? To be properly addressed, the question needs to be approached on several levels. First, one might ask, adequate for what? The fraternal society catered to an abundance of individual needs: ethnic fellowship, entertainment, the establishment of business connections, as well as insurance and social welfare benefits. Not surprisingly, each society differed markedly in the goals it emphasized. The historian fond of uncovering the "one best way" is bound to be disappointed when studying the fraternal society. The Masons and the Odd Fellows stressed secrecy and solemn rituals, while the Knights of Maccabees and the Ancient Order of United Work-

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men concentrated on insurance protection. Still others, such as the Ancient Order of Hibernians and the Polish National Alliance, made ethnic solidarity a key credo.[33]

As a social welfare provider, the fraternal insurance society was not a panacea but, in the context of the time, it did a credible job of fulfilling the needs of members and their families. In the vast majority of cases, as we have seen, fraternal sick benefits covered the period of illness for which they were demanded. The same could be said for the utility of the death benefit. It helped cushion the financial blow after the loss of a family member (usually the chief wage earner).

For Americans of the 1990s, the "adequacy" of social welfare has taken on a cut-and-dried meaning. The question of adequacy has been reduced to the question of the amount of spending allocated. The conception of adequacy widely prevalent before the Great Depression, not only among fraternal societies, but among Americans in general, had connotations going beyond dollars and cents. It was closely tied to issues of character, self-respect, and independence. As the *Fraternal Monitor*, the chief voice of the fraternal movement, put it, "fraternalism is vitally concerned in matters having to do with self help, individual liberty and the maintenance of individual rights on the part of the people as a whole so long as such rights do not interfere with others." On numerous occasions, it predicted that an expanded governmental role in social welfare would discourage mutual aid and communal feeling. "The problem of State pensions," it charged, "strikes at the root of national life and character. It destroys the thought of individual responsibility."[34]

If measured by these less quantifiable standards of adequacy, the fraternal society equipped its members with advantages woefully absent in government welfare programs. In his study of social life in immigrant coal communities in 1904, Peter Roberts identified "independence, self-reliance, and foresight" as qualities fostered by the fraternal societies he observed. He added that

> the workingmen find pleasure in their lodges because the management of affairs is in their hands. . . .The results attained by employees in the management of their affairs may not be the highest, but they gain experience thereby and acquire business tact and an insight into the nature of the economic world which are of greater social value than financial considerations.[35]

Deserving and Undeserving Poor

It has become almost a rite of initiation for welfare historians to belittle the legitimacy of pre-Depression concerns about responsibility, character, and

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initiative in the provision of social welfare. Such ideas have been invariably dismissed as either instances of shopworn middle-class Victorian morality, or still worse, as part and parcel of an elite campaign to control the poor. For the same reason, historians have belittled the ancient distinction between "deserving" and "undeserving" poor as fallacious, and have praised efforts to make government aid to the poor an entitlement or a basic human right. In Katz's view, "the distinction between the worthy and unworthy poor has always been a convenient but destructive fiction" and has diverted attention from the more crucial social causes of poverty. Influenced by the views of Michael Walzer, Katz contends that categories of this sort cruelly stigmatize the poor as "objects of charity" and deprive them of their just due as equal members of the community. He has directed his heaviest fire against the "deserving/undeserving" differentiations of charity workers during the late nineteenth and early twentieth centuries.[36]

Katz and other welfare historians have been too hasty to dismiss the reasoning that underlay these charity-society dichotomies. To their credit, charity workers were willing to confront the complexities and subtleties of a thorny dilemma. Their distinctions among the poor, albeit imperfect, rested on a reasonable premise: that poverty, like other human conditions, has a multitude of causes and solutions. Along these lines, Mary Richmond, a prominent leader in the charity movement, observed in 1899:

> When we ask ourselves then, Who are the poor? we must answer that they include widely divergent types of character,—the selfish and the unselfish, the noble and the mean, workers and parasites—and in going among them we must be prepared to meet human beings, differing often from ourselves, it may be in trivial and external things, but like ourselves in all else.[37]

The conventional welfare historians' diagnosis of poverty seems facile by comparison. If applied to public policy, the entitlement theory they champion translates into the simplistic (and misleading) credo that "there are no undeserving poor." Although it is not their intention, the net effect of this is to lump the poor together into an undifferentiated mass. Such an outlook is much more condescending to the poor than the approach of the charity societies. It is especially unfair to those working poor who, although eligible for welfare, refuse to apply because they take pride in remaining independent. By the logic of the entitlement theorists, these people are fools for trying to stand on their own feet.

Having said all this, the welfare historians do have a point. Private as well as government social workers during the late nineteenth and early twentieth centuries could go to condescending, intrusive, and paternalistic lengths to investigate the "worthiness" of recipients. The patronizing quality of case

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investigation techniques, such as "friendly visiting," was both unmistakable and disturbing.[38]

While Katz's critique of poor relief "categorization" as the uninformed product of "more fortunate" outsiders often fits charity and welfare bureaucracies, however, it loses its value as an explanatory tool when applied to the practices of fraternal societies. First, even those fraternal societies controlled by the poorest and most oppressed groups restricted aid to "deserving" members. One would be hard pressed to find a fraternal society of any economic class or ethnic group that distributed aid as an unconditional entitlement. The Georgia chapter of the Prince Hall Masons was typical when it forbade lodges to "receive or retain as a member . . . any man who is a common profane swearer, a reputed libertine, an excessive drinker, or one who is guilty of any crime involving moral turpitude or . . . any demoralizing practice."[39]

William Muraskin regards these fraternal-aid restrictions as attempts by oppressed groups to gain respectability by mimicking hegemonic Victorian, middle-class morality. This argument is not convincing. For example, how can it explain the popularity of similar restrictions in the mutual-aid programs administered by radical labor unions? The socialist and self-consciously working class Western Miners' Federation (a predecessor of the International Workers of the World) was typical in denying benefits to members when "the sickness or accident was caused by intemperance, imprudence or immoral conduct." Historians can, of course, take final refuge in claims that workers who supported these kind of restrictions were victims of "false consciousness" or "mystification." But this is to say no more than that the historian holds to the ideal of a world in which each receives according to his need. This ideal offers no guidance to the realities of a world in which resources are limited and behavior often self-destructive.[40]

When viewed in this light, the whole enterprise of drawing analogies between charity/welfare aid eligibility restrictions and those of fraternal organizations becomes dubious at best. Charity-society admonitions struck a false note, not so much because of their specific content, but because they came from outsiders, most of whom had never been poor. Much like modern welfare-state bureaucrats, early twentieth-century charity workers could never truly understand the conditions of the poor nor entirely win their respect. It was not surprising that the poor resented and distrusted the impersonal and bureaucratic system which gave them alms.[41]

Charity and welfare aid restrictions revolved around an adversarial donor and recipient relationship, while those of fraternal societies rested on principles of reciprocity. At bottom, adversarial relationships between donor and receiver seem endemic to *any* impersonal poor relief system (public or private, entitlement-based, or means-tested) controlled and

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funded by distant bureaucrats and other outsiders (including the taxpayer). Donor and recipient in the fraternal society were peers in the same organization. They often knew each other well on a personal level. While the process of deciding aid eligibility by fraternal societies certainly provoked its share of tension and oversimplification, it rarely had the degrading and patronizing quality of charity or welfare bureaucracies, since it was usually a matter of poor people classifying the aid worthiness or unworthiness of other poor people.

This fraternal idea of reciprocity, of course, entailed mutual obligations between members and the organization to which they belonged. It was wholly antagonistic to this idea that the donor should dole out benefits as a one-way entitlement to the recipient. To underline this point, Walter Basye, editor of the *Fraternal Monitor*, asserted that "fraternity, like religion or a savings bank, gives most to those who put in most. And the best deposit in the bank of fraternity is heart-felt interest and support."[42]

While fraternal society benefits were not unconditional entitlements, neither could they be properly classified as charity. Fraternal society leaders were just as critical of paternalistic charity as modern welfare historians. The manual of the Colored Knights of Pythias declared that the "sick among our brethren are not left to the cold hand of public charity; they are visited, and their wants provided for out of the funds they themselves have contributed to raise, and which, in time of need, they honorably claim without the humiliation of suing parochial or individual relief—from which the freeborn mind recoils with disdain." In 1910, a Mexican-American fraternal (*mutualista*) journal pridefully proclaimed that "one will never see Mexican tramps, not even the most indigent, because he always works regardless of his age or his social and education conditions, to win his daily bread with dignity."[43]

The aid restrictions of fraternal societies rested on an ethic of solidarity. By limiting benefits to members deemed deserving of this solidarity, they shared common ground with labor unions. In labor unions, members who violated certain restrictions (by not paying dues or working during a strike, for example) lost their claim to benefits. The one major difference between labor and fraternal organizations was that the former could, and often did, use force to coerce recalcitrants while the latter had to depend entirely on voluntary compliance and moral sanctions.

Mutual Aid, Then and Now

The rich historical record of mutual aid and self help poses a striking contrast to the present social and economic life of the very poor. When considering housing quality, income, and consumer goods, the population

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of the early twentieth-century slum would have good reason to envy the current "underclass." The envy would probably be on the other side, however, when it comes to the strength of community ties, family solidarity, independence, hope for the future, and safe streets. These and other measures are vital even if not easily quantifiable.[44]

Some of the most cogent descriptions of this transformation have been penned by sociologist William Julius Wilson. Although Wilson rejects a return to the limited governmental role of the pre–welfare state era, he has repeatedly pointed to the palpable decline in the living conditions of those who must inhabit today's slums. "Blacks in Harlem and in other ghetto neighborhoods," he writes, "did not hesitate to sleep in parks, on fire escapes, and on rooftops during hot summer nights in the 1940s and 1950s, and whites frequently visited inner-city taverns and nightclubs. There was crime, to be sure, but it had not reached the point where people were fearful of walking the streets at night, despite the overwhelming poverty in the area."[45] James Borchert also has noted the contrast between the past and present inner city. In *Alley Life in Washington*, he comments at length on the absence of what might be called today a psychology of dependence among African-American and white slum dwellers in Washington, D.C. during the early twentieth century. As Borchert puts it, residents of these areas "were not generally wards of the state. Rather than being indolent 'welfare cheaters,' they took responsibility for their own lives, demonstrating pride, independence, and strength. . . .Contrary to scholars' and reformers' descriptions of disorder and pathology," they were "able to maintain their old cultural patterns in the new environment, adapting and adjusting them when necessary." Borchert credits this state of affairs to the extensive family, self-help, and mutual-aid "safety net" of the slums.[46]

From Mutual Aid to the Welfare State[47]

Although historians have barely begun to document (or indeed fully to confirm) the decline of mutual aid, one fact is clear. The fraternal society, a key component of mutual aid, has suffered dramatic losses in membership among both the poor and the middle class. For the white insurance societies, the most accessible, although incomplete, figures are from the National Fraternal Congress (NFC). In 1906, NFC member societies represented 91,434 lodges; by 1925, they reached their apogee at 120,000 lodges. After that, the number of lodges leveled off and fell. The pace of descent quickened slightly during the Depression and then accelerated rapidly after World War II. By 1986, only 52,655 lodges remained. During the 1970s alone, the NFC lost more than 20 percent of its member lodges. Although some weathered the storm better than others, the leading white

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secret societies, including the Masons, the Odd Fellows and the Knights of Pythias also suffered major reverses.[48]

Tracing the longitudinal fortunes of African-American mutual aid institutions is a harder task. When compared to their white counterparts, the statistics are spotty indeed. By most, if admittedly impressionistic, measures, overall membership peaked in the 1920s and then fell during the Depression. The best known African-American order, the Prince Hall Masons, recovered somewhat in the 1940s and 1950s, only to decline again in the 1960s.[49]

Even so, during and well after the Depression, African-American fraternal societies maintained remarkable strength. In 1934, sociologist Guy Johnson observed that there "is scarcely a Negro community in the South that does not offer Negroes two or more kinds of church affiliation and from two to twenty brands of secret fraternal affiliation." Ten years later, Gunnar Myrdal's landmark study *An American Dilemma: The Negro Problem and Modern Democracy* asserted that African Americans of all classes were more likely than whites to join social organizations, such as fraternal societies. He estimated that over 4,000 associations in Chicago catered to the needs of the city's 275,000 African Americans.[50]

Instead of praising this high level of African-American social organization, Myrdal saw it as a vice. He branded African-American fraternal societies as hopeless imitations of their white counterparts and as reflective of social pathology. Myrdal declared that "despite the fact that they are predominantly lower class, Negroes are more inclined to join associations than are whites; in this respect again, Negroes are 'exaggerated' Americans." He lamented that the "pattern of a 'heavy' social life is so traditional in the Negro community that even those who do not like it cannot escape it without cutting off much of their relationship with their fellows and without losing some of their prestige." For Myrdal, the greater part of African-American social organization represented "wasted effort." One wonders if Myrdal would have revised his comments could he have foreseen the isolated individual existence of the typical tenant of today's inner-city public housing projects.[51]

At this point, the state of the research does not offer easy answers to the important question of why fraternal and other mutual aid institutions have lost so much ground in the last half century or more. The literature has been cursory and suggestive at best. The most prevalent theories of fraternal decline stress the role of actuarial problems, originating in the faulty assessment basis of most societies formed between 1870 and 1910. Originally, it was common practice for all members, regardless of risk or age, to pay the same premium. While this system worked well initially, it came under severe strain when the membership aged. As mortality increased,

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higher and often onerous assessments had to be levied, leading younger (lower-risk) members to drop out. After the 1910s, the larger societies began an often painful transition to premium systems based on risk. The states adopted legislation to speed along the readjustment process however, and the end result was to force many of the smaller, often African American, societies (which *could* still operate efficiently on an assessment basis) out of business.[52]

Richard De Raismes Kip, J. Owen Stalson and others identify entertainment competition from radio, movies, and television as contributing to the membership losses of fraternal societies. This has some merit for explaining the fate of secret societies but works less well when applied to fraternal insurance societies. After all, the key selling-point of such societies (at least as reflected in their ads for new members) was insurance. Moreover, the focus on entertainment fails to explain why so many workers before the 1920s joined fraternal insurance societies instead of non-insurance social clubs and secret societies that were available. And if entertainment was the key attraction of fraternal membership, then why the countless efforts to institute and maintain often quite expensive insurance programs?[53]

Other factors in the decline were legal or coercive impediments which constrained fraternal societies from effectively countering new private and governmental competitors. By the 1920s, medical societies, fortified by restrictive licensing and certification barriers, had largely won (at least temporarily) their relentless battle against lodge and other forms of contract practice. The effect was not only to raise the overall cost of medical care but to close off the promising health-insurance market to further fraternal expansion.[54]

A thought-provoking variation on the theme of legislative interference has been presented by Roger L. Ransom and Richard Sutch. They contend that legal prohibitions by the states of certain insurance forms, such as the tontine policy—a form of individual old age insurance—encouraged consumer dependency on employer benefit plans and government programs such as Social Security. Despite its promise, Ransom and Sutch's theory needs far more fleshing out.[55]

Much the same can be said for explanations positing a causal relationship between the rise of the welfare state and the decline of mutual aid. It is fairly clear that among white and African Americans, weakened mutual aid coincided with the growth of government's social-welfare role. Government involvement in social welfare (beyond, of course, the traditional almshouse) predated the New Deal. Most states, at the onset of the Depression, already had adopted workers' compensation laws and mothers' pensions. In 1913, twenty states had mother's pensions; in 1919 this

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had increased to thirty-nine states; and by 1931 the total reached forty-six states. The 1930s brought the first substantial federal involvement in social welfare, including Social Security and Aid to Dependent Children (ADC).[56]

Even though the correlation between rising governmental involvement and declining mutual aid is clear, a cause-and-effect relationship remains to be proven. Nevertheless, common sense, if nothing else, dictates further inquiries into possible connections between these two trends. Mutual aid, throughout history, had been a creature of necessity. Government, by taking on social welfare responsibilities that were once the ken of voluntary institutions, must have undermined much of this necessity. On this point, there are ample, and tantalizing, tidbits of circumstantial evidence for historians to chew on. With the advent of workers' compensation in the 1910s and 1920s, to cite one example deserving of further research, mutual benefit societies organized in the workplace by employees withdrew *en masse* from providing industrial accident insurance. Moreover, because workers' compensation funds flowed directly into employer-selected medical plans, the effect may have been to imperil competing services offered by fraternal societies.[57]

Ironically, this theory nicely complements the dawning recognition by several welfare historians that transfer programs affect recipient behavior. Piven and Cloward, who go further than most, are unabashed advocates of the age-old folk wisdom that transfer payments lessen the desire to seek employment. "*The achievements of the welfare state*," they assert, "*are largely the result of the fact that social welfare programs generate what are called, in the current debate, 'work disincentives.'* We underline this point because it is exactly the reverse of conservative charges against welfare state programs." According to Piven and Cloward, work disincentives are a *positive* development because they free poor people from dependence on low-paying jobs which depress the overall labor market. Although based on some debatable value-judgments about work, their theory has possible applications to the mutual-aid issue. If, as Piven and Cloward contend, the welfare state creates work disincentives, it seems entirely logical to suspect that it also generates mutual aid disincentives.[58]

Paradoxically, although he defends the welfare state, Katz speculates that government transfer programs contributed to a substantial decline in mutual aid among the poor. He acknowledges that before the advent of the welfare state, the poor relied on "a series of complex, intersecting networks" based on "intimate chains of reciprocity and spontaneous and extraordinary acts of generosity between poor people themselves," and cites federal welfare initiatives as factors that "may have weakened [these]

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networks of support within inner cities, transforming the experience of poverty and fueling the rise of homelessness."[59]

The relationship, if any, between the decline of mutual aid and the recent fortunes of the family, another central social-welfare institution, also bears further examination. In contrast to the sparse historical literature on fraternal societies, the history of the African-American family has been a favored research topic since the 1960s. The best known recent study remains Herbert Gutman's *The Black Family in Slavery and Freedom, 1750–1925* (1976). Gutman disputed Daniel Patrick Moynihan's 1965 study (still popular in some circles), which concluded that the experience of slavery had left the African-American family hopelessly "disorganized" and unable to cope with social change. Using census records from a wide range of localities, Gutman found that at least until the 1920s, African-American families were about as likely as white families to be headed by two parents. While African Americans had more children outside of marriage than whites, it was the accepted practice to incorporate single parents and their children into the family system. In 1983, by contrast, 41.9 percent of African-American families had no husband present. As Gutman's study indicates, the current high incidence of single-parent households in African-American families appears to be a product of the twentieth century, not a legacy of slavery.[60]

While important, the current rarity of the two-parent form among impoverished African Americans does not, by itself, represent a clear-cut index of increased family breakdown. Recent scholars of the African-American family have aptly pointed out that one-parent or loosely extended family forms have functioned perfectly well in some historical contexts. A more precise indicator of "breakdown" that lacks normative connotations would be the degree to which a family (whatever its composition) has become dependent for its livelihood on nonreciprocal relationships and institutions. By this measure, of course, considerable family breakdown has occurred since the Depression era. The most glaring facet of increased family dependence on outside sources (as opposed to self-help and mutual aid institutions such as the fraternal society) has been a mushrooming welfare case load. In 1931, 93,000 families were on the mothers' pension rolls (well under 1 percent of the U.S. population). By comparison, 3.8 million families now receive AFDC, including about one-fifth of the entire African-American population.[61]

The shift from mutual aid and self help to the welfare state involved more than just a simple bookkeeping transfer of service provision from one set of institutions to another. As the leaders of fraternal societies had feared, much was lost in the exchange that transcended monetary calculations. The old relationships of reciprocity and autonomy which fraternal

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societies had exemplified were slowly replaced by paternalistic ties of dependency. The rise of the welfare state not only accompanied the eclipse of indigenously controlled mutual aid institutions, but left impersonal bureaucracies dominated by outsiders in their place.[62]

NOTES

1. Frances Fox Piven and Richard A. Cloward, *Regulating the Poor: The Functions of Public Welfare* (New York: Random House, 1971).
2. Charles Murray, *Losing Ground: American Social Policy 1950–1980* (New York: Basic Books, 1984); Michael Novak, *Free Persons and the Common Good* (Lanham, Md.: University Press of America, 1988); and Piven and Cloward, *The New Class War: Reagan's Attack on the Welfare State and Its Consequences* (New York: Pantheon, 1982), xi. Also, see Frances Fox Piven, Richard A. Cloward, Barbara Ehrenreich, and Fred Block, *The Mean Season: The Attack on the Welfare State* (New York: Pantheon, 1987).
3. Michael B. Katz, *The Irony of Early School Reform: Educational Innovation in Mid-Nineteenth Century Massachusetts* (Cambridge, Mass.: Harvard University Press, 1968).
4. Michael B. Katz, *In the Shadow of the Poorhouse: A Social History of Welfare in America* (New York: Basic Books, 1986), 58; and Piven et al., *The Mean Season*, x, 14–15.
5. Katz, *In the Shadow*, xiii-xiv, 58–84.
6. The estimates for fraternal society membership are from the Report of the President's Research Committee on Social Trends, *Recent Social Trends in the United States*, vol. 2 (New York: McGraw-Hill, 1933), 935. The population figures for Americans over twenty are in U.S. Department of Commerce, *Historical Statistics of the United States: Colonial Times to 1970*, pt. 1 (Washington, D.C.: U.S. Government Printing Office, 1975), 15–20.

   Fraternal insurance societies accounted for about 10,000,000 of this membership, while secret societies made up the rest.

   The figures in *Recent Social Trends* work well as rough-and-ready estimates of fraternal membership. A few words of caution, however. By failing to compensate for those individuals who joined more than one organization, these figures overestimate fraternal membership. On the other hand, they underestimate membership by not including the members of numerous societies (many of them operated by African Americans and immigrants) and local relief societies organized on neighborhood and occupational levels. While relief societies dispensed mutual aid, they lacked the fraternal attributes of lodge and ritual. For more on relief societies, see Charles Richmond Henderson, *Industrial Insurance in the United States* (Chicago: University of Chicago Press, 1908), 63–83.

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7. The best discussion of the ritual's functional role remains Noel P. Gist, "Secret Societies: A Cultural History of Fraternalism," *University of Missouri Studies* 15 (October 1, 1940). Also, see Mark C. Carnes, *Secret Ritual and Manhood in Victorian America* (New Haven: Yale University Press, 1989).
8. Walter Basye, *History and Operation of Fraternal Insurance* (Rochester: The Fraternal Monitor, 1919), 35-6; Lynn Dumenil, *Freemasonry and American Culture, 1880-1930* (Princeton: Princeton University Press, 1984), 225, 22.
9. Dumenil, 21
10. U.S. Department of Labor, Bureau of Labor Statistics, *Care of Aged Persons in the United States* (Washington, D.C.: U.S. Government Printing Office, 1929), 162, 15, 163; and Dumenil, 20.

    In 1929, the bureau identified 112 fraternal homes for the aged in the United States, mostly operated by secret societies for indigent members, housing a population of over 7,000. Several fraternal insurance societies also built such homes, but generally they relied more on insurance to aid their elderly.

    On fraternal orphanages, see C.W. Areson and H.W. Hopkirk, "Child Welfare Programs of Churches and Fraternal Orders," *The Annals of the American Academy of Political and Social Science* 121 (September 1925): 85-95.
11. Harris Dickson and Isidore P. Mantz, "Will the Widow Get Her Money? The Weakness in Fraternal Life Insurance and How It May Be Cured," *Everybody's Magazine* 22 (June 1910): 776.
12. Este Erwood Buffum, *Modern Woodmen of America: A History*, vol. 2 (Modern Woodmen of America, 1935), 5; and Peter Roberts, *Anthracite Coal Communities: A Study of the Demography, the Social, Educational and Moral Life of the Anthracite Regions* (New York: Macmillan, 1904), 309.
13. Basye, 15-16; and U.S. Department of Commerce, *Historical Statistics*, 168.
14. Illinois Health Insurance Commission, *Report of the Illinois Health Insurance Commission of the State of Illinois* (1919), 224-5.
15. U.S. Department of Labor, *Care of Aged Persons*, 158; and New York Commission on Old-Age Security, *Report of the New York State Commission* (Albany: J.B. Lyons, 1930), 312-13. Cited in Carolyn L. Weaver, *The Crisis in Social Security: Economic and Political Origins* (Durham: Duke University Press, 1982), 41-2.

    By 1928, about 14 percent of the work force was enrolled in private pension plans. The total number of private pension plans in operation actually increased during the early, and worst, years of the Depression. The common perception—widely propagated both before and after the establishment of Social Security—that the elderly were heavily dependent on poor relief, is a myth. Less than 1 percent of the aged lived in alms houses in 1923, about the same percentage as in 1880. Weaver, 48, 63.

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16. U.S. Department of Labor, Children's Bureau, *Mother's Aid, 1931* (Washington, D.C.: U.S. Government Printing Office, 1933), 8, 17; and Katz, *In the Shadow*, xii.

    For a good summary of recent literature on the frequency of working-class membership in native white fraternal orders, such as the Odd Fellows, Knights of Pythias, and Ancient Order of United Workmen, see Mary Ann Clawson, *Constructing Brotherhood: Class, Gender, and Fraternalism* (Princeton: Princeton University Press, 1989), 87–110.

17. *Report of the Social Insurance Commission of the State of California* (Sacramento: California State Printing Office, 1917), 81, 89; and Illinois Health Insurance Commission, 464.

    In 1919, the Illinois Health Insurance Commission estimated that 25.8 percent of the wage earners of Chicago had insured (mostly in fraternals) against sickness and 23.7 against disability. Many societies not offering insurance had informal, usually ad hoc, methods to attend to the health problems of members. Illinois Health Insurance Commission, 216, 218, 221.

18. *Report of the Social Insurance Commission*, 82, 89, 302; Illinois Health Insurance Commission, 123, 474; and Roberts, 309–10. In 1929, about 9 percent of industrial employees in the United States lost eight or more work days to illness. U.S. Public Health Service, *Public Health Reports* 47 (January 15, 1932): 136.

19. I am indebted to Jennifer Roback for pointing out possible advantages of fraternal insurance in coping with moral hazard. See her "Social Insurance in Ethnically Diverse Societies," mimeograph, Center for Study of Public Choice, George Mason University, October 1989.

    For more on early experiments by commercial companies to provide health insurance and the subsequent moral hazard difficulties they encountered, see Frederick L. Hoffman, *History of the Prudential Insurance Company of America, 1875–1900* (Prudential Press, 1900), 6–62. In 1909, the prominent insurance executive John F. Dryden, no booster of fraternal societies, claimed that "the assurance of a stipulated sum during sickness can only be safely be transacted, and then only in a limited way, by fraternal organizations having a perfect knowledge of and complete supervision over the individual members." John F. Dryden, *Addresses and Papers on Life Insurance and Other Subjects* (Newark: The Prudential Insurance Company of America, 1909), 32.

20. *Report of the Social Insurance Commission*, 110; and Roback, 10.

21. James G. Burrow, *Organized Medicine in the Progressive Era: The Move Toward Monopoly* (Baltimore: Johns Hopkins University Press, 1977), 121–3.

22. Samuel Silverberg quoted in George Rosen, "Contract or Lodge Practice and its Influence on Medical Attitudes to Health Insurance," *American Journal of Public Health* 67 (April 1977): 374–5.

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23. H.T. Partree, "Contract Practice: Its Ethical Bearings and Relations to the Lodge and Industrial Insurance," *Bulletin of the American Academy of Medicine* 10 (December 1909): 596; and Burrow, 126.
24. Rosen, 378; and Burrow, 128, 131.
25. Samuel P. Hays, *The Response to Industrialism: 1885-1914* (Chicago: University of Chicago Press, 1957), 95.
26. Quoted in Hace Sorel Tishler, *Self-Reliance and Social Security,1870-1917* (Port Washington: National University Publications, 1971), 95.

    For more on the fraternal (and related mutual aid) societies of selected immigrant groups, see David M. Emmons, *The Butte Irish: Class and Ethnicity in an American Mining Town, 1875-1925* (Urbana: University of Illinois Press, 1989), 94-132; Michael R. Weisser, *A Brotherhood of Memory: Jewish Landsmanshaftn in the New World* (New York: Basic Books, 1985); William I. Thomas, *The Polish Peasant in Europe and America*, vol. 2 (New York: Dover Publications, 1958), 1578-1643; and Humbert S. Nelli, *Italians in Chicago, 1880-1930: A Study in Ethnic Mobility* (New York: Oxford University Press, 1970), 156-99.
27. Howard W. Odum, *Social and Mental Traits of the Negro: Research into the Conditions of the Negro Race in Southern Towns* (New York: Columbia University Press, 1910), 102-3, 109, 99.
28. William A. Muraskin, *Middle-class Blacks in a White Society: Prince Hall Freemasonry in America* (Berkeley: University of California Press, 1975), 118, 133-59, 54-6.
29. Booker T. Washington, *The Story of the Negro: The Rise of the Race from Slavery*, vol. 2 (New York: Negro Universities Press, 1969), 148-70; W.E.B. Du Bois, *Economic Cooperation Among Negro Americans* (Atlanta: Atlanta University Press, 1907), 109, 115, 122; and Du Bois, *The Philadelphia Negro: A Social Study* (New York: Schocken Books, 1967), 185-6, 221-7.

    Mexican-Americans also formed versions of such "white" societies as the Masons and Woodmen of the World. Most Mexican-American fraternal societies (mutualistas), however, did not have direct white parallels. José Amaro Hernandez, *Mutual Aid for Survival: The Case of the Mexican American* (Malabar, Florida: Robert E. Krieger Publishing Co., 1983), 65-6.
30. Illinois Health Insurance Commission, 222.
31. Sadie Tanner Mossell, "The Standard of Living Among One Hundred Negro Migrant Families in Philadelphia," *Annals of the American Academy of Political and Social Science* 98 (November 1921): 200; Margaret F. Byington, *Homestead: The Households of a Mill Town* (New York: Charities Publication Committee, 1910), 91; and Tishler, 96.

    This high incidence of African-American life insurance policyholding persisted as late as the 1960s. In 1967, the Survey Research Center at the University of Michigan found that a higher percentage of African Ameri-

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cans than whites held life insurance in every income group. Approximately 80.33 percent of African-American families had some life insurance as against 77.5 percent of white families. More recent estimates are harder to come by but, in light of the rapid expansion of the welfare state since 1967, it would be fascinating to find out if relative African-American and white insurance rates have changed. Cited in Ronald W. Bailey, ed., *Black Business Enterprise: Historical and Contemporary Perspectives* (New York: Basic Books, 1971), 167.

32. U.S. Department of Labor, Bureau of Labor Statistics, *Monthly Labor Review* 28 (March 1929): 421, 424; Charles W. Ferguson, *Fifty Million Brothers: A Panorama of American Lodges and Clubs* (New York: Farrar and Rinehart, 1937), 144; and *Report of the Pennsylvania Commission on Old Age Pensions* (Harrisburg, 1919), 67.
33. The Hibernians, of course, were Irish Americans. See Michael F. Funchion, ed., *Irish American Voluntary Organizations* (Westport: Greenwood Press, 1983), 51–61.
34. *Fraternal Monitor* 22 (December 1, 1911): 16; and *Fraternal Monitor* 19 (January 21, 1908): 10–11.
35. Roberts, 263–4.
36. Katz, *In the Shadow*, 291; and Katz, *The Undeserving Poor: From the War on Poverty to the War on Welfare* (New York: Pantheon, 1989), 179–80, 184, 239.
37. Mary E. Richmond, *Friendly Visiting among the Poor: A Handbook for Charity Workers* (Montclair, N.J.: Patterson Smith, 1969), 11–12.
38. On charity organization investigative practices during the early twentieth century, see Walter I. Trattner, *From Poor Law to Welfare State: A History of Social Welfare in America* (New York: Free Press, 1989), 89–92.
39. Katz, *The Undeserving Poor*, 184; and Muraskin, 46.

    Fraternal societies among free African Americans in the North before the Civil War had similar restrictions. In 1832, a group of African Americans observed that in Philadelphia, "the members of these societies are bound by the rules and regulations, which tend to promote industry and morality among them. For any disregard or violation of these rules for intemperance and immorality of any kind, the members are liable to be suspended or expelled." Leonard P. Curry, *The Free Black in Urban America, 1800–1850: The Shadow of the Dream* (Chicago: University of Chicago Press, 1981), 203–4.
40. Muraskin, 84–5; and Alan Derickson, *Workers' Health, Workers' Democracy: The Western Miners' Struggle, 1891–1925* (Ithaca: Cornell University Press, 1988), 66.
41. I am heavily indebted to Jeffrey Friedman for pointing out the contrast between charity aid restrictions, based on adversarial relationships, and those of fraternal societies centered around ties of reciprocity.
42. Basye, 20; and Katz, *The Undeserving Poor*, 179.

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According to Terence O'Donnell, the "*espirit de corps* of a fraternal beneficiary society is one of its most valuable assets, and is far out of proportion to the 'good will' a purely commercial company can claim." O'Donnell, *History of Life Insurance in its Formative Years* (Chicago: American Conservation Company, 1936), 631.

43. *History and Manual of the Colored Knights of Pythias* (Nashville: National Baptist Publishing Board, 1917), 448–9; and Hernandez, 93.
44. For an insightful look at some consequences of the decline in mutual aid, see Charles Murray, *In Pursuit: Of Happiness and Good Government* (New York: Simon and Shuster, 1988).
45. William Julius Wilson, *The Truly Disadvantaged: The Inner City, the Underclass, and Public Policy* (Chicago: University of Chicago Press, 1987), 3.
46. James Borchert, *Alley Life in Washington: Family, Community, Religion, and Folklore in the City, 1850–1970* (Urbana: University of Illinois Press, 1980), 98, 215–17.
47. I borrowed the topic heading for this section from David Green and Lawrence Cromwell, *Mutual Aid or Welfare State: Australia's Friendly Societies* (Boston: George Allen and Unwin, 1984). The friendly societies were the Australian (as well as British) versions of American fraternal societies.
48. *Statistics of Fraternal Benefit Societies* (1906–86).

On the decline of the leading secret societies, see Gist, 42–3; Dumenil, 225; and Alvin J. Schmidt and Nicholas Babchuk, "Formal Voluntary Organizations and Change Over Time: A Study of American Fraternal Organizations," *Journal of Voluntary Action Research* 1 (January 1972): 49.

49. Gunnar Myrdal, *An American Dilemma: The Negro Problem and Modern Democracy* (New York: Harper and Brothers Publishers, 1944), 953; Edward Nelson Palmer, "Negro Secret Societies," *Social Forces* 23 (December 1944): 211; and Muraskin, 29.
50. Guy B. Johnson, "Some Factors in the Development of Negro Social Institutions in the United States," *American Journal of Sociology* 40 (November 1934): 336; and Myrdal, 952.

In the last thirty years, a few surveys on voluntary associations have also recorded percentages of fraternal membership. In central Long Beach, California, a 1966 survey found that 14.6 percent of whites belonged fraternal groups compared to 27.5 percent of African Americans. S. John Dackawich, "Voluntary Associations of Central Area Negroes," *Pacific Sociological Review* 9 (Fall 1966): 77. In Tampa, Florida in 1967, 8 percent of African Americans belonged to "mutual aid" lodges while 11 percent belonged to "regular" lodges. No percentages for whites were tabulated. Jack C. Ross and Raymond H. Wheeler, *Black Belonging: A Study of the Social Correlates of Work Relations Among Negroes* (Westport: Greenwood Publishing Company, 1971), 106–8. In Austin, Texas in 1969–70, the fraternal membership figure was 16.9 percent for African-American males and 13.3 percent for African-American females as against 10.3 percent for

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white males and 2 percent for white females. J. Allen Williams, et al., "Voluntary Associations and Minority Status: A Comparative Analysis of Anglo, Black, and Mexican Americans," *American Sociological Review* 38 (October 1973): 644. In New York City in 1972, fraternal society representation was 7 percent for African-American males and 2 percent for African-American females, compared to 12 percent for white males and 3 percent for white females. Steven Martin Cohen and Robert E. Kapsis, "Participation of Blacks, Puerto Ricans, and Whites in Voluntary Associations: A Test of Current Theories," *Social Forces* 56 (June 1978): 1063.

51. Not all scholars agree with Myrdal's interpretation of the African-American fraternal society as imitative. See especially Betty M. Kuyk, "The African Derivations of Black Fraternal Orders in the United States," *Comparative Studies in Society and History* 25 (October 1983): 559-92. Kuyk cites evidence of heavy borrowing by African-American societies of rituals and forms of organization from African-American antecedents.
52. John Chodes, "Friendly Societies: Voluntary Social Security and More," *The Freeman* 40 (March 1990): 98; and Basye, 113-22.
53. Richard De Raismes Kip, *Fraternal Life Insurance in America* (Philadelphia: College Offset Press, 1953), 182-3; and J. Owen Stalson, *Marketing Life Insurance: Its History in America* (Bryn Mawr: McCahan Foundation, 1969), 460-1.

    A good place to find advertisements for a wide array of societies is any issue of the *Fraternal Monitor*.
54. On the decline of contract practice during the 1920s see John Duffy, *The Healers: The Rise of the Medical Establishment* (New York: McGraw, 1976), 298-9.
55. Roger L. Ransom and Richard Sutch, "Tontine Insurance and the Armstrong Investigation: A Case of Stifled Innovation, 1868-1905," *Journal of Economic History* 47 (June 1987): 390.
56. Trattner, 202-5.
57. For the dampening effect of worker's compensation on accident and disability insurance by mutual benefit associations, see U.S. Department of Labor, Bureau of Labor Statistics, *Monthly Labor Review* 25 (July 1927): 20; *Monthly Labor Review* 28 (January 1929): 74; and Pierce Williams, *The Purchase of Medical Care Through Fixed Periodic Payment* (New York: National Bureau of Economic Research, 1932), 278-9.
58. Piven and Cloward, *The Mean Season*, 7 (emph. in original).
59. Katz, *Undeserving Poor*, 190-91.
60. Herbert G. Gutman, *The Black Family in Slavery and Freedom, 1750-1925* (New York: Pantheon, 1976); Daniel Patrick Moynihan, *The Negro Family: The Case for National Action* (Washington, D.C.: Office of Policy Planning and Research, U.S. Department of Labor, 1965); and Wilson, 65.

    In the past decade, other historians, besides Gutman, have uncovered evidence confirming the prevalence of the two-parent African-American

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household in both the North and South during the late nineteenth and early twentieth centuries. For summaries of the literature, see Borchert, 57–99; and William Julius Wilson and Kathryn N. Neckerman, "Poverty and Family Structure: The Widening Gap between Evidence and Public Policy Issues," in Sheldon H. Danziger and Daniel H. Weinberg, eds., *Fighting Poverty: What Works and What Doesn't* (Cambridge, Mass.: Harvard University Press, 1986), 232–59.

61. U.S. Department of Commerce, *Historical Statistics*, 15; U.S. Department of Labor, *Mother's Aid*, 1931, 3; *Social Security Bulletin* 53 (August 1990): 37; and Nathan Glazer, *The Limits of Social Policy* (Cambridge, Mass.: Harvard University Press, 1988), 43.

    Anthropologist Carol Stack offers an immensely useful frame of reference for measuring "the stability and collective power of family life." Stack (whose perspective is similar to that of *Regulating the Poor*) defines the family "as the smallest organized, durable network of kin and non-kin who interact daily, providing domestic needs of children and assuring their survival." Carol B. Stack, *All Our Kin: Strategies for Survival in a Black Community* (New York: Harper and Row, 1974), 31, 90.

62. Piven and Cloward not only describe but applaud what they perceive as the greater willingness of today's poor to seek dependence on governmental aid rather than rely on their own resources or accept available job opportunities. Piven and Cloward, *The Mean Season*, 21–2. The current attitudes (at least as related by Piven and Cloward) are quite a contrast to those revealed by James Borchert (see above) in his description of African-American and white slum residents of the pre-welfare state era and their strong aversion to charity and poor-relief dependency.

    A byproduct of replacing reciprocal with dependent relationships has been the decline of the famous "work ethic." The former hegemony of work ethic values among both the poor and the middle class has been noted by a wide variety of historians. See especially Daniel T. Rodgers, *The Work Ethic in Industrial America, 1850–1920* (Chicago: University of Chicago Press, 1978), 168–70. In many ways, the increased acceptance of dependent relationships follows a larger trend among all classes in society (farmers, Savings and Loan executives, etc.).

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Angelo M. Petroni

W.W. BARTLEY, III
1934–1990

William Warren Bartley, III, a contributing editor of CRITICAL REVIEW, died in Oakland, California, on February 5, 1990, at the age of 55. Born in Pittsburgh, he received his B.A. and M.A. from Harvard University. In 1958 he went to London to study under Karl Popper at the L.S.E., where he received his doctorate in Logic and Scientific Method in 1962. He held appointments at the Warburg Institute, the L.S.E., Gonville and Caius College of Cambridge University, the University of Pittsburgh, the University of California (Berkeley and San Diego), and California State University (Hayward), as well as many research fellowships and minor appointments. His last major appointment was as a Senior Research Fellow of the Hoover Institution.

Bartley's most important contribution to contemporary philosophy is probably his 1962 book *The Retreat to Commitment*, which was a development of his doctoral thesis.[1] In this work Bartley criticized—as he wrote in 1982—"the contention—as ancient as Sextus Empiricus and the Greek skeptics, as contemporary as Wittgenstein, Ayer, Rorty, Karl Barth—that there is *an essential logical limitation* to rationality: that rational defense and

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examination of ideas *must*, for *logical* reasons, be terminated by an arbitrary and irrational appeal to what may be called *dogmas* or *absolute presuppositions* . . . that is, any rationality in one's life [is] rationality *relative to* irrational bases."[2] This is a position Bartley labelled "justificationism." *The Retreat to Commitment* examined the justificationist position as it was presented in liberal Protestant theology, from Karl Barth to Emil Brunner to Paul Tillich. Indeed, the application of the theory of rationality to moral and religious problems remained one of Bartley's main interests.

Even if Bartley considered himself a Popperian, there are few doubts that Sir Karl himself could be added to the list of justificationist philosophers as far as his explicit point of view on the argument is considered. In *The Open Society and Its Enemies* Popper distinguishes between "uncritical or comprehensive rationalism," on one side, and his own "critical rationalism" on the other. The first can be described "as the attitude of the person who says 'I am not prepared to accept anything that cannot be defended by means of argument or experience'. We can express this also in the form of the principle that any assumption which cannot be supported either by argument or by experience is to be discarded." For Popper this principle could easily be shown to be inconsistent, "for since it cannot, in its turn, be supported by argument or by experience, it implies that it should itself be discarded."[3] Uncritical rationalism is therefore to be discarded on a purely logical basis. On the contrary, the critical rationalist is conscious that "whoever adopts the rationalist attitude does so because he has adopted, consciously or unconsciously, some proposal, or decision, or belief, or behaviour; an adoption which may be called 'irrational'. . .we may describe it as an *irrational faith in reason*."[4]

Bartley argued that this retreat to commitment, i.e. to faith in the validity of reason, was the result of a *confusion* between the notions of *justification* and *criticism*.

Justificationists hold the position that "the goodness or badness of any idea is to be determined by reducing it to (i.e., deriving it from or combining it out of) authority (or authorities) or statements possessing an authoritatively good trait. That which can be so reduced is justified, that which cannot is to be rejected."[5] The Logical Positivist view of knowledge, and particularly *inductivism*, are major examples of justificationism.

Bartley argued that we can make criticisms while rejecting "justifiers" of them based on faith, and that no infinite regress is thereby entailed. Criticism works on a purely *deductive* basis. A given statement is criticized *relative* to other statements, a given theory relative to "observational" statements. *Logic* itself is criticizable without one being involved in an infinite regress. All that is required for being rational, according to "pancritical

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rationalism"—the label Bartley finally adopted for his theory—is that *all* positions are kept open to criticism.

From the point of view of pancritical rationalism, Popper's very famous criterion of demarcation between science and metaphysics (namely, falsificationism) becomes irrelevant. The fundamental distinction to draw for understanding the progress of knowledge is between *critical* and *uncritical* theories, irrespective of any "scientific" or "metaphysical" qualification.

The essay in which Bartley attacked the relevance of Popper's demarcation criterion, "Theories of Demarcation between Science and Metaphysics" (1965),[6] originated a bitter rift with Popper. In fact, it was only in the mid-1970s that the intellectual relationship between Bartley and Popper was resumed.

From the end of the 60s to the beginning of the 70s a relatively ample discussion of Bartley's pancritical rationalism took place. (In the meantime—in 1968—Bartley had published an original attempt to solve "Goodman's Paradox" of confirmation.)[7] John Watkins and John Post were Bartley's most prominent critics.[8] In particular, Post tried to show that Bartley's theory could not escape the Liar's Paradox—a thesis already enunciated, in more general terms, by Popper. This debate began anew in 1982, and was assessed by Bartley in the second edition of *The Retreat to Commitment* (1984).

When Popper's volumes in Paul Schilpp's *The Library of Living Philosophers* were published in 1974,[9] Bartley devoted three articles to a close (and fair) examination of the various aspects of Popper's philosophy,[10] and their intellectual and personal relationship grew stronger. It was largely to Bartley's credit that Popper's long-awaited *Postscript to the "Logic of Scientific Discovery"* was finally published (1982–83).[11]

Bartley considered his own theory to be a *generalization* of Popper's basic views about the growth of knowledge, but I don't think Popper ever agreed with it. Indeed, few mentions of Bartley's theory can be found in Sir Karl's recent works.

Bartley spent enormous energy uncovring Popper's cultural roots. He ammassed a great deal of material toward an intellectual biography of Sir Karl, but he had time to work only a few sections into a nearly finished form before he realized the seriousness of his illness. We have to hope that his unfinished work might be carried out int he future.

In my opinion, Bartley's theory of rationality represents a genuine development of Popper's theory. Its main (even if controversial) achievement is probably the attempt to eliminate from the very concept of rationality any *teleological* element. In this way Bartley makes rationality congruent with a strictly evolutionary view. Despite Popper's claims, I do not

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think that this is true of Popper's own theory, which is deeply permeated by teleological concepts (such as verisimilitude).

Early in the 80s Bartley become increasingly interested in the work of Hayek and—more generally—in the philosophy of economics. He started to write a biography of Hayek, and eventually he became the General Editor of Hayek's Collected Works as well as member of the Mont Pelerin Society. It is due to his efforts that *The Fatal Conceit*[12] was published. Bartley saw in Hayek's theory of human action and of society a prime example of a non-justificationist theory of rationality. Bartley used to say that he learned from Popper that *we never know what we are talking about*, and from Hayek that *we never know what we are doing*. Indeed, Bartley was working his way toward a unified understanding of both of these great critics of hyperrationalism.

In 1987, Bartley and Gerard Radnitzky co-edited *Evolutionary Epistemology, Theory of Rationality, and the Sociology of Knowledge.*[13]

Bartley's posthumously published book, *Unfathomed Knowledge, Unmeasured Wealth: On Universities and the Wealth of Nations*[14] (1990) is a bold (even if perhaps unpalatably polemical) work, trying to fuse in a global perspective the epistemological and the economic points of view. According to Bartley, the theory of knowledge can be made a branch of economics, and the economics of knowledge must replace the *sociology* of knowledge in all its different forms—including the Kuhnian one.

To the public at large, Bartley's name will probably continue to be linked to his short book *Wittgenstein*[15] (1973), which was extremely influential in challenging the received (Cambridge) view of Wittgenstein, and which sharply divided the opinion of the community of the philosophers. This biography was a splendid example of Bartley's capacity to join his interest in ideas with his interest in lives. This was a permanent feature of his research. In 1978 he published a best-selling biography of Werner Erhard (the founder of *est*).[16] In the previous year he had skillfully edited Lewis Carroll's *Symbolic Logic*,[17] largely based on unpublished material that he was able to trace through several European and American libraries.

On the personal level, Bill was a many-faceted man. He had a deep intellectual interest in music and art—in particular Chinese art, which he collected in his home. (Once he told me—quite seriously—that he could leave his job as a philosopher if he were offered a job as a director of a museum of Chinese art!) He also had a good knowledge of Chinese philosophy, which he considered to be an example of a non-justificationist view.

In conversation and discussion he liked to produce sharp theses and sharp arguments. It was impossible not to appreciate his ability to give relevance and importance even to the most remote and abstract problems.

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He had an aristocratic impatience with compromise, and because of this characteristic he was a difficult man, who alternated charming manners with harsh, often sarcastic criticism.

His friends will miss his strong personality. The scientific community at large will regret that his premature death prevented him from further developing his original and important philosophical views, as well as from completing his biographical researche on Hayek and Popper.

NOTES

1. W.W. Bartley, III, *The Retreat to Commitment*, 2nd ed. (La Salle, Ill.: Open Court, 1984).
2. W.W. Bartley, III, "The Alleged Refutations of Pancritical Rationalism," *Proceedings of the Eleventh International Conference on the Unity of the Sciences* (New York: I.C.F. Press, 1983), 1143.
3. Karl Popper, *The Open Society and Its Enemies*, 5th ed., vol. 2 (London: Routledge & Kegan Paul, 1966), 230.
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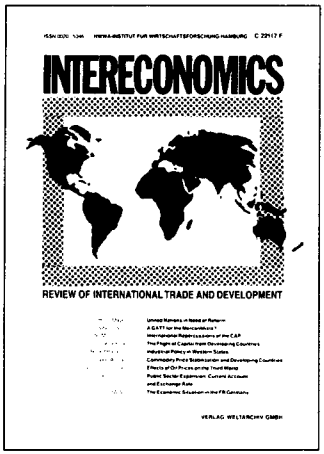

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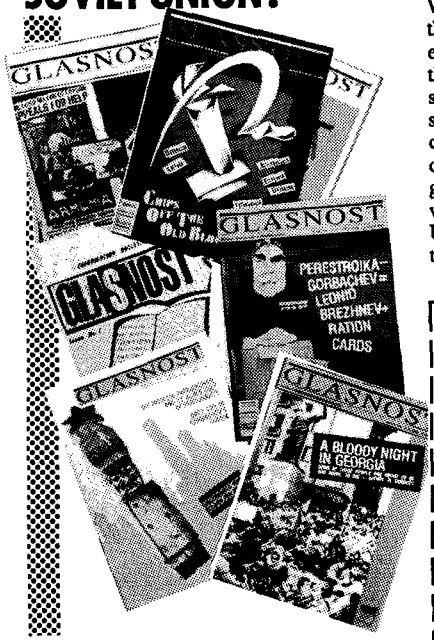

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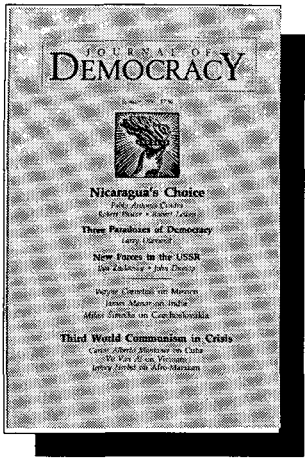

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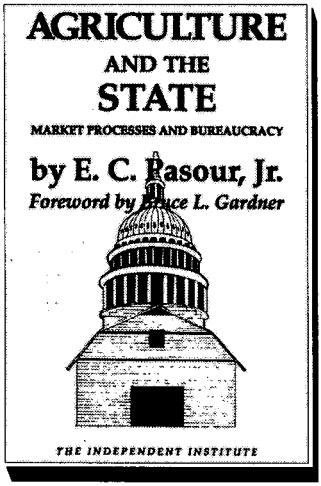

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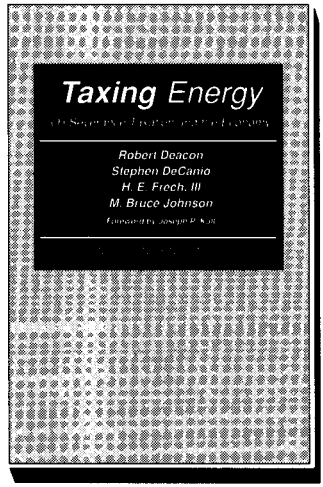

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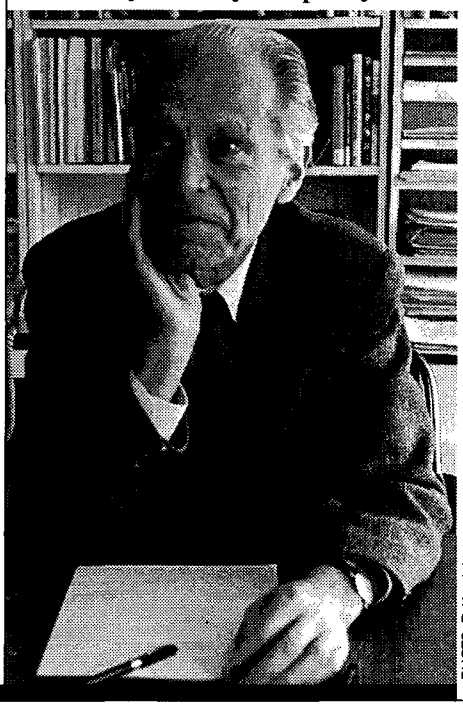

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